

**School District of the City of Bay City**  
910 N. Walnut Street  
Bay City, Michigan 48706

**BOARD OF EDUCATION**

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**Carolyn C. Wierda**  
**Superintendent of Schools**

**Comprehensive Annual Financial Statement Prepared By:**

**Douglas L. Newcombe, MBA/CPA**  
**Director of Finance and Accounting**

**Sarah E. DuFresne, M.Ed./CPA**  
**Assistant Director of Finance and Accounting**



## **Bay City Public Schools**

### **Statement of Mission**

#### **STAFF... STUDENTS... SUCCESS**

**It is our mission to provide each student with the knowledge, attitudes and skills necessary to assure success.**

***To address this mission, the Bay City Public School District will:***

- ☐ **Provide a safe, stimulating and supportive learning environment**
- ☐ **Teach students academic, social and personal coping skills**
- ☐ **Nurture personal responsibility and respect for others**
- ☐ **Actively engage family, community members and staff in the learning process**
- ☐ **Continually challenge staff and students to excel**



# **Bay City Public Schools**

## **Statement of Vision**

### **STAFF... STUDENTS... SUCCESS**

**It is our Vision for all students and staff to achieve personal and academic success.**

***In pursuit of this Vision, the Bay City Public School District will:***

- ☐ **Support individual learning needs**
- ☐ **Foster high expectations, accountability, compassion and respect**
- ☐ **Encourage growth and risk taking in an empowering environment**
- ☐ **Become a high achieving district earning state and national recognition**
- ☐ **Foster life-long learning**
- ☐ **Establish a value for public service and commitment to community**

**SCHOOL DISTRICT OF THE CITY OF BAY CITY**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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# Bay City Public Schools

## Office of the Director of Finance and Accounting

910 N. Walnut Street

Bay City, MI 48706-3799 Phone: (989) 671-8112 Fax: (989) 686-9861

Website: <http://www.bcschools.net>

October 13, 2008

Board of Education  
School District of the City of Bay City  
910 N. Walnut Street  
Bay City, MI 48706

Dear Board Members:

The Comprehensive Annual Financial Report of the School District of the City of Bay City for the year ended June 30, 2008, is completed and available for review. This report was prepared by the District's Finance and Accounting Department in conjunction with the District auditors of Andrews Hooper & Pavlik P.L.C. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the District. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the District as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the District's financial affairs have been included.

The Comprehensive Annual Financial Report is presented in three sections: introduction, financial, and statistical. The introductory section includes this transmittal letter, the District organizational chart, and a listing of the elected board members. The financial section includes the Administration's discussion and analysis, the basic financial statements, and the required and other supplemental information, as well as the auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multiple-year basis.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations, and Generally Accepted Accounting Principles (GAAP) established by GASB.

The School District of the City of Bay City Board of Education (Board) is the basic level of government that has oversight responsibility and control over all activities related to public school education in the School District of the City of Bay City. The Board receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined by GASB, since the Board members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary responsibility for fiscal matters.

### GENERAL OVERVIEW OF THE SCHOOL DISTRICT

The School District of the City of Bay City is an independent school district established under the laws of the State of Michigan and governed by a seven (7) member elected Board of Education. During the 2007-08 school year, the District had eight (8) K-5 elementary schools, two (2) 6-8 middle schools, two (2) 9-12 high schools and one (1) alternative high school. Other facilities are used for administration, transportation, technology, maintenance, community education, special education, and various other programs of the District.

It is a 254 square mile district located in Bay and Saginaw Counties, Michigan. There are three (3) cities and twelve (12) townships within the boundaries of this urban-suburban school district.

A comprehensive general education program for kindergarten through grade 12 students is provided including art, music, physical education, elementary foreign language, non-English speaking student assistance, cooperative education programs that allow high school students to explore career opportunities while gaining actual work experiences, and vocational and technical education such as automobile repair.

Other programs include young fives, full-day kindergarten, before and after school programs, community education, special education, compensatory education, and alternative education. Additional vocational education opportunities are available to our students through the regional Bay Arenac Skill Center. The District also provides many educational opportunities and student services to parochial schools within its boundaries including Title I, transportation, and food service.

Bay City Schools work with and receive funding from the Bay-Arenac Intermediate School District (BAISD). Within Michigan, there are 57 regional entities, known as intermediate school districts, that provide shared services and programs, technical and advisory assistance, and limited funding to over 700 local school districts within their service areas. In our region, the BAISD provides local school districts with services such as financial and student information systems. The BAISD is also able to levy a special education millage that helps support the special education programs of local school districts. This millage also provides funding for special education programs operated by the BAISD for more severely handicapped students unable to be served by local school districts.

### **MARKETING AND COMMUNICATION**

Marketing through the use of printed information, internet web sites, and television are being stepped up to increase awareness of the many programs and services the District offers. The District is one of three partners along with the City of Bay City and Bay County governments in the operation of a local cable television station called Bay3-TV. The School District broadcasts board meetings, school events such as concerts and plays, community events, educational programs such as "Math-Live" where students can call and get assistance with math problems, as well as programs on child safety. Other programming includes monthly updates on issues such as curriculum, technology, and finance.

The District has a web site for parents and community members to get information and ask questions and also for employees to use to access operations and receive training. Individual schools also have linked web pages that provide information ranging from upcoming events to school lunch menus. The superintendent communicates current issues and board actions to community and business leaders through an e-mail called "Key Communicators." A similar e-mail called the "Monday Message" is provided to all employees.

### **ECONOMIC ENVIRONMENT**

Public school funding in Michigan changed beginning with the 1994-1995 fiscal year. This funding structure reduced property taxes to 6 mills on homes, 24 mills on businesses, and increased the State sales tax from 4% to 6%. A foundation grant base amount of \$5,000 per student was established in the initial year. At the time this new funding system was established, school districts across Michigan received funding ranging from \$4,200 to \$12,000 per student. A goal of the new funding plan was to gradually decrease the funding gap between school districts. However, because of Michigan's economic problems, the funding gap still remains significantly different.

Beginning with 2007-08, the State has begun to address the funding gap between school districts. Lawmakers enacted what is known as the 2X funding formula whereby school districts at the lower end of the per-student funding range receive up to 2 times any annual increase as school districts at the higher end of the per-student funding range. While there has been resistance to this change in the state aid act there is optimism that over time the funding gap will close.

The 2X funding formula relies on the State's ability to fund K-12 education through its revenue sources, primarily the State sales and income taxes. K-12 funding has been up and down over the last six years due to a shrinking Michigan economy. While school districts received small funding increases in 2006-07 and 2007-08, prior years reflected frozen or reduced funding. For 2007-08 the base per-student funding was \$7,204 compared to the \$7,085 base amount from 2006-07.

Changes in school finance were not limited to changes in per student funding. In 1994-95 the State transferred costs for employee retirement and employer social security taxes to public schools. Previously, these costs were paid by the State. These mandated additional cost transfers represent approximately \$900 per student for each school district and must be accounted for when calculating school funding increases under the new funding plan.

The City of Bay City itself has continued to strive towards greater economic development through a combination of public and private investment. The Bay City Mall constructed several years ago continues to flourish with more than 100 outlets. Many restaurants and retail businesses have located near the Bay City Mall including two hotels as well as several strip malls. This has increased the traffic in the Bay City area and has drawn residents from the northern part of the State as well as tourists either attending Bay City events or passing through on their way northward to destinations such as Mackinaw Island, Traverse City, or one of the many lakes located in Michigan.

The new Double Tree hotel and conference center opened downtown with the goal of bringing businesses and guests to the Bay City area. Additional condominiums are being constructed to compliment the 33 unit Jennison Place condominiums built a few years ago on the shore of the Saginaw River. Downtown Bay City's investment in new streets, sidewalks, parking areas, and parks are greatly improving the investment atmosphere for commercial, residential areas, and major thoroughfares. Downtown Bay City also is home to the Delta College Planetarium and Learning Center. Dotted throughout the city are various specialty restaurants and stores that coupled with the special events and water sport activities have transformed Bay City into a regular summer tourist stop.

Bay City is home to many summer events that utilize the Saginaw River and Bay as well as surrounding parks and recreation areas. As a result, tourism has become an integral part of the local economy. A "Friendship Shell" located in Wenona Park on the banks of the Saginaw River in downtown Bay City, is used each Fourth of July weekend to celebrate our Nation's birth. The annual fireworks festival draws hundreds of thousands of tourists to the Bay City area.

Other summer events include the River Roar boat race, Tall Ships exhibit, and the Pig Gig featuring national rib cooking competition. Nationally sponsored boat races are held on both the Saginaw River and Saginaw Bay. Various concerts, festivals, bazaars, and other family events are also a big part of the Bay City experience during the summer months.

A River Walk rests along the Saginaw River for walking, fishing, or jogging in a scenic setting. The River Walk is complimented by a Rail Trail for biking, walking, rollerblading, and jogging that winds throughout the City and surrounding townships providing a peaceful, and scenic experience.

The School District is also located very near two institutions for higher learning. Delta College is a community college that offers many two-year degree programs such as Dental Hygiene as well as basic course offerings for individuals in pursuit of a four-year degree. Saginaw Valley State University located in Saginaw County offers both undergraduate and graduate degrees in many areas such as Business Administration, Engineering, Nursing, and Teaching. In addition, Central Michigan University is located approximately 60 miles from the District and also offers a full range of undergraduate and graduate degree programs. These colleges and universities partner with the surrounding K-12 school districts, including Bay City, to promote educational opportunities, provide student teaching, cooperative education opportunities, professional-development, and grant initiatives.

### **MAJOR INITIATIVES**

The mission and vision of the District puts the student as the focal point for every decision that is made. District initiatives and goals, in finance, curriculum, technology, and facilities, are designed with this philosophy.



Student improvement is the most important mission of the school district as required by the Federal No Child Left Behind Act which is measured by Michigan's Education YES benchmarks. In addition, the State has significantly increased high school graduation requirements beginning with the high school freshman class of 2008. The initial changes require four years of mathematics, four years of English language arts, three years of social studies, and three years of science for graduates of 2011. By 2016 graduates will also be required to take two years of foreign language.

To meet these requirements, the District is providing full day kindergarten, summer school programs for middle school students having difficulty, credit recovery programs for high school students who have failed courses, elementary reading programs to help students with reading difficulties, and curriculum implementers to assist teachers with district curriculum goals. The District has a long-term textbook replacement plan to update textbooks annually. Grant funding from the Federal and State government is used to purchase new math textbooks aligned with the State curriculum, provide continuing professional development for teachers, and provide parents with information and techniques to help prepare their children for kindergarten.

The District uses data from tests like the State of Michigan's MEAP assessment test to assist teachers in targeting the strengths and weaknesses of individual students and groups of students. Despite having an at-risk student population of approximately 35%, Bay City has ranked in the top five in several curriculum categories among demographically similar Michigan "Middle Cities" districts. Bay City had five of its schools receiving a letter grade of "A" from the State for 2007-2008. The District continues to make gains in student achievement each year.

The District has focused on both short and long-term objectives. Examples include a long-term budget plan, technology replacement schedule, school bus replacement schedule, maintenance vehicle replacement schedule, and preventative maintenance plan. For 2008-09 the District intends on developing a replacement plan for school lunch program equipment and vehicles.

Several major steps have been taken in the area of facilities over the past 5 years. In 2000-2001, two elementary schools received additional classroom, gymnasium, and cafeteria space as part of a total renovation.

In May 2006, the District passed a \$66.875 million bond issue to be paid over 30 years for renovations and additions to existing school buildings. This bond is the largest passed by the Bay City School District in the last 40 years. The bond is being used for projects such as roofs, boilers, exterior and interior walls and structural issues, asbestos removal, new windows, doors, new classroom space, science labs, and media centers. The bond will allow the District to utilize existing budget dollars on preventative maintenance rather than reactionary maintenance.

In the area of finance, operating results for 2007-08 reflect a general fund – fund balance of \$3,988,847, which is a decrease of \$266,942 from the \$4,255,789 fund balance for the 2006-2007 school year. With respect to liabilities, both short-term and long-term debt decreased. This is the result of several financial changes including the implementation of long-term financial planning, implementation of a fund balance policy, budget reductions sufficient to generate annual operating surpluses, and changes to employee health insurance and wages designed to reduce costs and annual cost increases.

### **FINANCIAL INFORMATION**

GASB 34 requires management to prepare a report referred to as "Management Discussion and Analysis or MD&A. Discussion of specific financial information and financial trends of the District are contained in the MD&A included in this Comprehensive Annual Financial Statement.

Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit – The District is responsible for ensuring that an adequate internal and administrative control structure is in place to ensure compliance with applicable laws and regulations related to federal assistance programs.

This internal control structure is subject to periodic evaluation by management and the District's independent public accountants in conjunction with their audits of the District. As a part of the District's single audit, described above, an evaluation of the internal control structure is performed and tests are conducted to determine whether the District complied with provisions of certain laws, regulations, and contracts. The auditors then issue reports related to these matters. The results of the District's single audit for the fiscal year ended June 30, 2007 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgetary Controls - In addition, the District also maintains budgetary controls. The objective of budgetary controls is to ensure that budgets are in compliance with legal provisions in the annual appropriation budget adopted by the Board of Education.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Debt Service Funds. Under the guidelines of Bulletin 1022 (revised), the State of Michigan's School Accounting Manual, detailed line item budget information is provided and appropriate administrators are delegated the responsibility for monitoring and controlling their respective budget allocations. An encumbrance system is utilized to measure the uncommitted budget amount available at any given point in time during the year.

The administration believes that the existing system of budgetary and accounting controls provides a reasonable level of assurance that errors or irregularities that could be material to the financial statements are prevented or that they would be detected within a timely manner.

Debt Administration - The district currently holds an "A -" rating for bonded debt from Standard and Poor's Financial Rating Service. We see this as a statement that the District is a well-supported financial entity worthy of the prudent investor's investment dollar.

Cash Management - In accordance with Michigan statutes, the District's cash management guidelines are established to maximize its interest earnings while attempting to minimize the risk of loss of invested money. Interest bearing checking accounts, cash management accounts, certificates of deposit in state or national banks, approved savings and loan association, and high grade commercial paper are all instruments used to achieve this goal.

In 2007-2008 the District earned \$338,026 in interest from investments in the general fund. The average yield on investments for all funds held at June 30, 2008, was 4.61% and is lower than the average yield on June 30, 2007 of 5.10%. The average monthly cash balance including borrowed funds for 2007-2008 was \$7,325,455.

#### OTHER INFORMATION

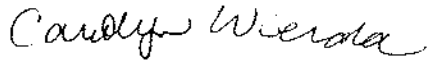
Independent Audit - State of Michigan statutes require an annual audit by independent certified public accountants. The accounting firm of Andrews Hooper & Pavlik P.L.C. was appointed by the Bay City Board of Education to perform this service for the 2007-2008 fiscal year. In addition, the Single Audit Act requires governmental recipients of Federal assistance to have organizational-wide financial and compliance audits on an annual basis. Both of these requirements have been met and the auditors' report on the financial statements is included herein.

Acknowledgments - The preparation of this report was accomplished through the commitment and dedication of the Finance and Accounting Department. We thank the personnel of the Finance and Accounting Department and the administrative staff for their dedication and efforts in preparation of the financial statements and the preparation of this Comprehensive Annual Financial Report. We also thank the independent audit firm of Andrews Hooper & Pavlik P.L.C. for their assistance in the preparation of this report.

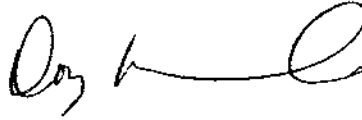
Continued diligence in fiscal management and timely communication between the Administration and Board of Education will facilitate efforts to exceed the present high level of excellence expected by its constituents.

In order that the community may know the content of this report, copies will be made available at various public libraries within the boundaries of the District. Copies of this report are also available for public distribution upon request to the Finance and Accounting Department and can be found on the District website at [www.bcschools.net](http://www.bcschools.net).

Sincerely,



Ms. Carolyn C. Wierda,  
Superintendent of Schools



Mr. Douglas L. Newcombe, MBA, CPA  
Director of Finance & Accounting

**2008-2009**  
**BAY CITY PUBLIC SCHOOLS**  
**BOARD OF EDUCATION**



Marie McFarland  
President  
Term 2005-2009



Pauline Helmling  
Vice President  
Term 2008-2012



Amy DeHaan-Legge  
Secretary  
Term 2006-2010



Patrick O'Shea  
Treasurer  
Term 2005-2009



Ben Gibson  
Trustee  
Term 2006-2010



Charles Hewitt  
Trustee  
Term 2007-2011



Phyllis Meeth  
Trustee  
Term 2007-2011

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Supt/District/OrgChart/2008-09      Approved : July 14, 2008



**ANDREWS HOOPER & PAVLIK P.L.C.**  
Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

Board of Education  
School District of the City of Bay City  
910 N. Walnut Street  
Bay City, Michigan 48706

We have audited the accompanying financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of the School District of the City of Bay City, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major funds and the aggregate remaining fund information of the School District of the City of Bay City, Michigan, as of June 30, 2008 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2008, on our consideration of the School District of the City of Bay City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 16 and page 43 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School District of the City of Bay City, Michigan, basic financial statements. The introductory section, other supplemental information, and statistical section, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, except for the introductory section and that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Andrews Hooper & Pavlik P.L.C.*

Bay City, Michigan  
September 23, 2008

**School District of the City of Bay City**

**ADMINISTRATION'S DISCUSSION AND ANALYSIS**

**June 30, 2008**



## **School District of the City of Bay City**

### **Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2008**

The Bay City Public School District, a K-12 school District located in portions of Bay, Saginaw, and Midland Counties, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. One of the requirements under GASB 34 is a written interpretation of the financial statements included in the audit report for Bay City Public Schools, what is called the "Comprehensive Annual Financial Report" or CAFR. This written interpretation is called "Management's Discussion and Analysis" or MD&A. For Bay City Schools, the MD&A is intended to be the Bay City Public School Administration's discussion and analysis of the financial statements and information for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to provide assistance and insight regarding the financial condition of the School District to Board of Education members, taxpayers, investors, state and federal agencies, and other interested parties.

GASB 34 requires two different types of financial statements within the CAFR: District-Wide Financial Statements and Fund Financial Statements. Fund Financial Statements are essentially the statements used by governmental entities prior to GASB 34. The District-Wide Financial Statements are a requirement of GASB 34. The primary purpose of this requirement is to assist statement users in understanding the overall health and position of the governmental entity and its components by including long-term assets and long-term liabilities into the appropriate fund or program that uses or creates those assets or liabilities.

#### **Fund Financial Statements:**

The fund level statements are reported on a modified accrual basis meaning that revenues attributable to the audit year are only recorded if measurable and receivable within 60 days of the end of the fiscal year being June 30. Liabilities are recorded to the extent they are measurable and normally expected to be paid with current financial resources. General fixed assets and general long-term debt are no longer reported in fund financial statements.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's accounting manual entitled, "Bulletin 1022." In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Funds, Capital Projects, and the School Service Funds. The School Service Fund is comprised of the following programs: Food Service, Athletics, Forest Day Care, Community Education, and Bay3-TV.

In the Fund Financial Statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

## School District of the City of Bay City

### **Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2008**

#### **District-Wide Financial Statements:**

As discussed earlier, the District-Wide Financial Statements are full accrual basis statements. They report all of the District's assets and liabilities, both short term and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Assets of the District-Wide Financial Statements.

#### **Summary of Net Assets:**

The following summarizes the net assets at fiscal year ended June 30, 2008 and June 30, 2007:

<b>Assets:</b>	<b>June 30, 2008</b>	<b>June 30, 2007</b>
Current Assets	\$ 48,690,998	\$ 48,750,348
Unexpended Bond Proceeds-Non-Current	15,903,995	36,763,989
Capital Assets	91,235,372	61,837,058
Less: Accumulated Depreciation	(30,163,020)	(28,598,235)
Capital Assets Net Book Value	61,072,352	33,238,823
<b>Total Assets</b>	<b>\$ 125,667,345</b>	<b>\$ 118,753,160</b>
<b>Liabilities:</b>		
Current Liabilities	\$ 27,756,426	\$ 23,028,146
Long-Term Liabilities	77,431,707	79,696,560
<b>Total Liabilities</b>	<b>\$ 105,188,133</b>	<b>\$ 102,724,706</b>
<b>Net Assets:</b>		
Invested in Capital Assets Net of Related Debt	\$ 23,097,481	\$ 19,978,852
Restricted for Debt Service	740,296	679,584
Unrestricted (deficit)	(3,358,565)	(4,629,982)
<b>Total Net Assets</b>	<b>20,479,212</b>	<b>16,028,454</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 125,667,345</b>	<b>\$ 118,753,160</b>

## **School District of the City of Bay City**

### **Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2008**

#### **Analysis of Financial Position:**

During the fiscal year ended June 30, 2008, the District's net assets increased by \$4,450,758 from June 30, 2007. "Total Net Assets" are \$20,479,212. This represents 16.30% of total District-Wide assets and 24.33% of the total District-Wide expenses. Included in total net assets is \$23,097,481, which is the difference between the values of capital assets such as land, buildings, buses, and equipment, and bond construction in progress, and long-term bonds, used to pay for those assets.

The \$740,296 shown as "Restricted For Debt Service" at June 30, 2008, represents cash and receivables from property tax collections for the 2006 Bond Issue and is restricted for that use only.

The "Unrestricted Deficit" is \$3,358,565 which is the difference between all assets other than capital assets (i.e. cash, receivables, and inventory) and all other liabilities other than bonds (i.e. accounts payable, salaries payable, state aid notes, and compensated absences).

The District's "Capital Assets Net of Related Debt" increased \$3,118,629 the year ended June 30, 2008 because of payments on bond debt. Assets Restricted for Debt Service" increased \$60,712 due to property tax collections in excess of the required debt service payments.

On the governmental fund statements, the general fund - fund balance of \$3,988,847 represents 5.09% of the total general fund expenditure budget of \$78,265,943. Within this amount, \$632,592 is designated for specific purposes. Fund balance for 2006-2007 was \$4,255,789 and 5.56% of the general fund expenditure budget.

The significant factors affecting net assets during the year are discussed below:

#### **State Aid:**

In 2007-2008, the State of Michigan increased State Aid to \$7,204 per student as compared to the 2006-07 amount of \$7,085 per student. In 2007-087 the student count was 9,308 compared to 9,465 for 2006-07. The combination of the \$119 per student increase in funding and the 156 decrease in students resulted in an decrease in State Aid revenue of \$4,693 for 2007-08.

#### **Depreciation Expense:**

GASB 34 requires school districts to maintain a record of annual depreciation expense and accumulated depreciation. For fiscal year ended June 30, 2008, accumulated depreciation was \$30,163,020 as compared to \$28,598,235 for the year ended June 30, 2007.

## **School District of the City of Bay City**

### **Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2008**

The District's capital outlay plan sets the time frame that depreciation expense is calculated, or put another way, the useful life of the asset. These useful lives are as follows:

Land Improvements	=	15 Years
Buildings	=	50 Years
Machinery and Equipment	=	4-15 Years
Vehicles and Buses	=	8 Years

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. The District has opted to depreciate buildings until 20% of the original cost remains. This 20% remaining or residual value will be maintained in the asset values and not be adjusted further unless additional capital expenditures are made or the building is sold or otherwise obsolete. In accordance with accounting principles generally accepted in the United States (GAAP), depreciation expense is recorded based on the original cost of the asset less an estimated salvage value.

#### **Capital Outlay Acquisitions:**

Actual capital outlay acquisitions for fiscal year ended June 30, 2008 were \$613,626 as compared to the fiscal year ended June 30, 2007 acquisitions of \$1,438,293. The decrease is due to less capital acquisitions in 2007-08 for furniture, equipment, and school buses. The largest capital acquisitions in 2007-08 were new computers of \$498,750 and equipment and renovations for buildings. The largest capital acquisition in 2006-07 were a \$854,020 for new computers and equipment and renovations for buildings.

#### **Capital Asset Deletions:**

There were no significant capital deletions for 2007-08. Because of student decreases, budget reductions, and population shifts, the District has several recently closed buildings that could be sold, leased, or used for various purposes. In 2007-08 the District sold its closed warehousing facility. Currently, the District has three other buildings for sale: Riegel, Trombley, and Wenona.

#### **Bonds Payable:**

In May 2006, voters approved a \$66.8 million bond issue for renovations and other improvements to existing facilities such as added classrooms, science labs, and libraries. This bond is the largest component of a overall long-term facility plan implemented by the District in 2005-06. The bonds were sold in June 2006 and construction work is scheduled through 2010.

## **School District of the City of Bay City**

### **Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2008**

Bond payments will be made through 2035. Another phase of the long-term facility plan occurred during 2004-05 when the District implemented an energy system improvement plan and issued \$5,930,000 in school improvement bonds for that project. Two core school buildings that were not part of the bond proposal, Auburn Elementary and Hampton Elementary, received complete renovations, libraries, gymnasiums, and cafeterias through a \$10 million non-voted bond issue in 2000-01. Those bonds will be paid off during 2008-09.

#### **Results of Operations:**

For the fiscal year ended June 30, 2008, the District-Wide results of operations were:

	<b>Amount</b>	<b>Percent of Total</b>
<hr/>		
<b>General Revenue:</b>		
Property Taxes Levied for General Operations	\$ 10,560,583	13.99%
State of Michigan Aid, Unrestricted	56,778,341	75.20%
Interest and Investment Earnings	3,076,306	4.07%
Property Taxes Levied for Debt Services	4,418,371	5.50%
Special Education	1,039,206	1.37%
Other Revenue	(377,532)	(.13%)
<b>Total General Revenue</b>	<hr/> <b>\$ 75,495,275</b>	<hr/> <b>100.00%</b>
<b>Program Revenue:</b>		
Charges for Service – Local	2,833,142	21.58%
Operating Grants – Federal and State	10,300,121	78.42%
<b>Total Program Revenue</b>	<hr/> <b>\$ 13,133,263</b>	<hr/> <b>100.00%</b>

## **School District of the City of Bay City**

### **Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2008**

#### **Expenses:**

Instructional Services	\$ 47,733,792	56.71%
Support Services	26,515,694	31.49%
Food Services	3,240,309	3.85%
Athletics	1,108,601	1.32%
Community Services	482,688	0.57%
Day Care Programs	785,643	0.93%
Community Education	0	0.00%
Bay 3 Television	92,847	0.11%
Net Operating Transfers to Other Funds	614,276	0.73%
Interest and Costs on Long-Term Debt	3,603,930	4.29%
<b>Total Expenses</b>	<b>\$ 84,177,780</b>	<b>100.00%</b>
<b>Increase in Net Assets</b>	<b>\$ 4,450,758</b>	

#### **General Revenue:**

##### **Property Taxes Levied for General Operations (General Fund Property Taxes):**

The District levied 18.0000 mills of property tax for general fund operations on non-homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5%, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50% of the market value.

The District's non-homestead property levy for the 2007-2008 fiscal year was \$10,561,328. The non-homestead tax levy increased 5.54% from the prior year. The amount of unpaid personal property taxes from the 2008 levy was \$51,663 at June 30, 2008 or approximately 0.49% of the total levy. The average increase in the property tax levy over the last five years is 3.61% due to a combination of assessment increases and property additions.

## **School District of the City of Bay City**

### **Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2008**

The following summarizes the District's non-homestead levy the past five years:

<b>Fiscal Year</b>	<b>Non-Homestead Tax Levy</b>	<b>Percent Increase from Prior Year</b>
2007-2008	\$10,561,328	5.54%
2006-2007	10,006,964	3.28%
2005-2006	9,689,515	2.85%
2004-2005	9,418,407	5.06%
2003-2004	8,964,385	1.34%

#### **State of Michigan Aid - Unrestricted:**

The State of Michigan aid, unrestricted is determined by the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment – Blended at 75% of current year fall count and 25% of prior year winter count
- c. The District's non-homestead levy

#### **Per Student, Foundation Allowance:**

Annually, the State of Michigan sets the per student foundation allowance. The Bay City Public School foundation allowance was \$7,204 per student for the 2007-2008 school year, \$7,085 per student for the 2006-2007 school year, and \$6,875 per student for the 2005-2006 school year. The \$7,204 in 2007-2008 represents an increase of \$119 from the prior year or 1.68% more than Bay City's 2006-2007 foundation allowance per student of \$7,085 per student.

#### **Student Enrollment:**

The District's student enrollment for the fall count of 2007-2008 was 9,308 students. The District's enrollment has been declining due to declining birth rates, schools of choice, and local economic conditions.

## **School District of the City of Bay City**

### **Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2008**

The following chart summarizes fall student enrollments in the past five years:

<b>Fiscal Year</b>	<b>Student FTE</b>	<b>FTE Change from Prior Year</b>
2007-2008	9,308	(157)
2006-2007	9,465	(117)
2005-2006	9,582	(267)
2004-2005	9,849	29
2003-2004	9,820	(13)

The preliminary indication for 2008-2009 is that enrollment will decline as compared to 2007-2008. The first official 2008-2009 count will be September 24, 2008.

#### **Interest and Investment Earnings:**

During the year, the District earned \$3,076,306 from interest on invested cash in all funds compared to \$3,202,911 for the year ended June 30, 2007. The decrease is due to a decrease in interest rates and the reduced cash available from the 2006 School Improvement Bond as construction in progress increases.

#### **Property Taxes Levied for Debt Service:**

The District's debt fund levy, which for 2007-08 was used to pay the principal and interest on the 2006 bond obligation, is based on the taxable valuation of all properties: homestead and non-homestead. In addition, the District collects IFT (Industrial Facilities Taxes) in lieu of taxes, which are essentially taxed at 50% of the regular tax rate.

For 2007-2008, the District's debt millage levy was 2.3500 mills, which generated a levy of \$4,303,345. At June 30, 2008, \$6,379 of the 2008 personal debt levy remains unpaid to the District. The unpaid taxes represent 0.15% of the total levy.

#### **Special Education and Local Revenue:**

\$1,039,206 is revenue from a countywide special education millage levied by the intermediate school district. The Bay City Schools represent approximately one-half of the students and taxable valuation base within the entire intermediate school district boundary. The millage is first used for special education costs for center programs operated by the intermediate school district for the most severely handicapped children. Once those costs are covered, the remaining millage is distributed among the member local school districts based on proportion of total district student count. The remaining other funding relates to various local grants the District has been awarded.



## **School District of the City of Bay City**

### **Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2008**

#### **Program Revenue:**

##### **Charges for Services – Local:**

The single largest charge for services is food and milk sales in the food service program. Revenue from students and adult sales increased \$168,781 from \$1,114,328 in 2006-2007 to \$1,283,109 in 2007-2008. School lunch prices increased for 2007-08 and were as follows: \$2.00 for elementary students and \$2.25 for middle and high school students. Student participation for lunch and breakfast programs decreased from 1,058,607 meals served in 2006-2007 to 1,048,829 meals served in 2007-2008 or a decrease of 9,778 meals. The increase in revenue is attributable to non-student food sales such as head start programs, outside catering, and an increase in lunch prices. Other local charges for services include such things as transportation fees charged for student field trips, printing fees for services performed by the District's print shop, tuition for the classes through the community education program, athletic gate receipts, GM Power-train adult education, and day care program fees.

##### **Operating Grants – Federal and State:**

These grants consist of federal grants such as Title I and Title II as well as special state grants known as categorical funding. These categorical grants allow schools to provide programs for students who qualify as at-risk, special education, and gifted and talented, as well as funding to provide smaller elementary class sizes, bilingual education, and student school to work initiatives. The total categorical grant funding in 2007-2008 is \$9,805,374 consisting of \$3,437,910 in state categorical grants and \$6,367,464 in federal grants. The largest state categorical grant is At-Risk at \$1,934,877. The largest federal grants are Title I at \$3,068,145, Federal Hot Lunch Program at \$1,742,420, and Title II Part A at \$817,129.

##### **Expenses:**

Expenses on the District-Wide statements are \$84,177,780 for the general fund, school service fund, debt fund, and capital projects combined. There are differences between expenses reported on the District-Wide statements and expenditures as reported on the governmental statements. On the governmental statements, general fund expenditures and other financing uses are \$77,783,292, special revenue fund expenditures are \$5,199,933, debt service expenditures are \$6,611,897, and capital projects expenditures are \$28,784,688 for a total of \$118,379,810. These same types of differences exist with revenues as reported on District-Wide statements versus governmental statements.

## **School District of the City of Bay City**

### **Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2008**

Two reconciliation worksheets appear towards the front of the audited financial statements. Respectively, the forms are titled "Reconciliation of the Governmental Funds Balance Sheet to the District-Wide Statement of Net Assets" and "Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the District-Wide Statement of Activities." These two worksheets, required under GASB 34, are designed to assist readers to identify the accounting transactions that require different treatment under each set of statements and thus create the differences discussed above.

The types of transactions creating the largest difference were mentioned at the beginning of this MD&A, namely the treatment of capital assets and long-term debt. While principal payments on long-term debt are considered an expenditure on governmental statements, they are not considered an expense on District-Wide statements but rather a reduction in a long-term liability. Bond and loan proceeds are considered other financing sources on governmental statements but are increases in long-term liabilities. A review of both reconciliation worksheets may assist readers with additional specific information.

#### **GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES:**

##### **General Fund Expenditures and Operating Transfers Out - Budget Vs. Actual Five-Year History:**

<b>Fiscal Year</b>	<b>Expenditures Original Budget</b>	<b>Expenditures Final Budget</b>	<b>Expenditures Final Actual</b>	<b>Expenditures Variance Actual &amp; Original Budget</b>	<b>Expenditures Variance Actual &amp; Final Budget</b>
2003-2004	77,764,312	77,331,585	76,265,229	(1.93%)	(1.38%)
2004-2005	77,743,175	78,597,768	77,518,047	(0.29%)	(1.37%)
2005-2006	78,519,274	78,245,687	76,438,988	(2.64%)	(2.31%)
2006-2007	74,671,609	76,550,293	74,712,601	0.01%	(2.40%)
2007-2008	75,913,648	78,265,943	77,783,292	2.46%	(0.62%)
<b>Five Year Average Over (Under) Budget</b>				<b>(0.48%)</b>	<b>(1.62%)</b>

## **School District of the City of Bay City**

### **Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2008**

#### **General Fund Revenue and Other Financing Sources - Budget Vs. Actual Five-Year History:**

Fiscal Year	Revenues Original Budget	Revenues Final Budget	Revenues Final Actual	Revenues Variance Actual & Original Budget	Revenues Variance Actual & Final Budget
2003-2004	77,601,444	77,305,653	75,987,456	(2.08%)	(1.71%)
2004-2005	77,080,965	76,859,240	76,089,006	(1.28%)	(1.00%)
2005-2006	78,315,156	77,007,806	76,600,114	(2.19%)	(0.53%)
2006-2007	75,234,561	77,386,078	77,465,872	2.96%	0.10%
2007-2008	75,452,680	77,716,801	77,516,350	2.73%	(0.26%)
<b>Five Year Average Over (Under) Budget</b>				<b>(0.03%)</b>	<b>(0.86%)</b>

#### **Original Budget vs. Final Budget:**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

Because of the timing of student counts in September and February of each year, the constant changes in grants, state aid, retirement costs, carryover funds, and staffing issues, Bay City Public Schools normally amends its budget in December of each school year. If circumstances warrant in some years, a second revision may occur in the spring. For fiscal year 2007-2008, the budget was amended twice: on December 10, 2007 and May 12, 2008.

#### **Change from Original Budget to Final Budget:**

##### **General Fund Revenues:**

	<b>Amount</b>	<b>Percent</b>
Total Revenues Original Budget	\$75,452,680	100.00%
Total Revenues Final Budget	77,716,801	103.00%
Increase in Budgeted Revenues	\$2,264,121	3.00%

## **School District of the City of Bay City**

### **Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2008**

The District's final general fund revenues differed from final budget by \$200,451 or a variance of 0.26%. The differences are due to variations in estimated revenues such as fees and uncollected budgeted property taxes.

The Final revenue budget reflects the following changes from the original budget:

- Increase in state aid and property taxes from original estimate of \$1,864,095.
- Increase for budget carryover of building and program supplies of \$555,378.
- Increase in Interest from Investments of \$177,413.
- Decrease in expected revenue from ISD of \$596,238.
- Increase in expected revenues from federal and state grants of \$263,473.

#### **General Fund Expenditures:**

The District's budget for expenditures changed as follows during the year:

	Amount	Percent
Total Expenses Original Budget	\$75,913,648	100.00%
Total Expenditures Final Budget	78,265,943	103.09%
Increase in Budgeted Expenditures	\$ 2,352,295	3.09%

The District's actual expenditures were less than final budget by 0.62%. This difference is primarily attributable to unspent federal grant funding at June 30, 2008.

The net effect of over and under spending from budget in other departments and programs was not material. Some significant budget adjustments for the year include:

- Increase for federal and state grant allocations and carryover of \$498,024.
- Increase for maintenance vehicle purchases of \$79,900.
- Increases for staffing changes to grants of \$319,074.
- Increase for minimum wage change of \$35,000.
- Increase for staffing additions of \$268,218.
- Increase for staffing benefit costs of \$180,481.
- Increase for middle school math textbook purchase of \$106,091.
- Increase for budget carryover of building and program supplies of \$555,378.
- Increase for heating, electric, and water of \$174,829.
- Increase for bus fuel of \$100,000.
- Increase for adult education transfer to ISD of \$49,000.
- Increase for new student testing STI program of \$30,000.
- Decrease for various other accounts of \$43,700.

## **School District of the City of Bay City**

### **Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2008**

#### **Summary of Financial Information:**

During the 2007-2008 school year, Bay City Public Schools District-Wide net assets increased by \$4,450,758 from 2006-07. The total net assets is \$20,479,212. Total liabilities increased by \$2,463,427 and long-term liabilities, which are primarily bonds and compensated absences, decreased by \$2,264,853. The increase in total liabilities is related to increases in accounts payable for 2006 School Improvement Bond construction and the decrease in long-term liabilities is related to the payments that reduced outstanding bonds and loans. Governmental fund statements reflect a June 30, 2008 fund balance in the general fund of \$3,988,847 with a net decrease in fund balance of \$266,942 from the June 30, 2007 amount of \$4,255,789.

Based on these results, the District's financial position has remained relatively the same between June 30, 2007 and June 30, 2008 with the exception that long term debt is decreasing. The District's percentage of reserves remains relatively low but stable during the past three fiscal years. The District has implemented financial strategies to stabilize its financial position through a combination of budget reductions, revenue increases, and changes to employee health care. Student count moderately decreased in 2007-08 and is another factor considered for financial planning purposes.

As part of the long-term financial planning of being proactive rather than reactive, the District has implemented long-term replacement plans for capital assets such as school buses, technology, and maintenance vehicles. Other needs such as textbook replacement and long-term building maintenance have also been addressed. The \$66.8 million bond issue approved in May 2006 and facilities initiatives are expected to ease general fund budgetary pressures.

The District's bond debt is covered by building and equipment additions and purchases leaving an overall net asset value. From the debt perspective, there are bonds and loans incurred by the District and paid by the General Fund. The outstanding balance of these bonds and loans is \$8,385,557. In addition there is a bond approved by voters in May 2006 and supported by debt millage. The outstanding balance at June 30, 2008 is \$64,325,000 and the bond will be paid off in 2035-36.

Another component of long-term debt is compensated absences which affect the District's operational budget. For 2007-08 the cost was approximately \$1 million which is less than the \$1.5 million cost in 2006-07. Annual compensated absence costs are anticipated to continue to decline and level off in future years. The total value reflected in long-term debt at June 30, 2008 is \$7,657,264 which is 1.4% higher than the value at June 30, 2007 of \$7,550,439.

For the year, results of operations in the general fund showed a decrease of \$266,942. In total, the other non-major funds excluding the 2006 Capital Project Fund ended the 2007-2008 school year with revenues exceeding expenditures by \$106,531. The Capital Project Fund ended the year with expenditures exceeding revenues by

## **School District of the City of Bay City**

### **Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2008**

\$25,854,726 reflecting that bond proceeds were being spent on the intended bond construction projects.

#### **Contacting the District's Financial Management:**

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Finance and Accounting Department of the Bay City Public Schools in person or by mail at 910 North Walnut Street, Bay City Michigan 48708, or by telephone at 989-671-8112. The Bay City Public Schools website is also available at [www.bcschools.net](http://www.bcschools.net).

**School District of the City of Bay City**

**FINANCIAL STATEMENTS**

**June 30, 2008**

SCHOOL DISTRICT OF THE CITY OF BAY CITY  
DISTRICT-WIDE STATEMENT OF NET ASSETS  
June 30, 2008

	Governmental Activities
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 8,783,038
Unexpended bond proceeds - cash	6,885,162
Unexpended bond proceeds - investments	19,288,971
Property taxes receivable (net)	92,691
Interest income receivable	477,128
Due from Intermediate School District	27,916
Due from Federal Government	978,299
Due from State of Michigan	10,890,628
Due from other governments	3,767
Due from other funds	594,233
Accounts receivable	83,533
Inventories	266,590
Prepaid expenses	319,042
<b>Total current assets</b>	<b>48,690,998</b>
<b>Noncurrent assets</b>	
Unexpended bond proceeds-investments	15,903,995
Capital assets:	
Construction in progress	36,421,974
Land	810,116
Land improvements	4,142,234
Buildings	35,224,203
Machinery and equipment	9,729,674
Vehicles and buses	4,907,171
Less accumulated depreciation	(30,163,020)
<b>Total noncurrent assets</b>	<b>76,976,347</b>
<b>Total assets</b>	<b>125,667,345</b>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accounts payable and other current liabilities	8,660,302
Salaries payable	4,993,201
Payroll taxes	381,424
Retirement	1,587,023
Deferred revenues	587,078
Interest payable	783,122
Note payable	6,400,000
Due to other funds	594,233
Bonds and loan payable, due within one year	2,946,949
Other accrued benefits, due within one year	823,094
<b>Total current liabilities</b>	<b>27,756,426</b>
<b>Noncurrent liabilities</b>	
Bonds and loans payable	70,369,708
Accrued arbitrage rebate on bond interest income	227,829
Other accrued benefits	6,834,170
<b>Total noncurrent liabilities</b>	<b>77,431,707</b>
<b>Total liabilities</b>	<b>105,188,133</b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	23,097,481
Restricted for:	
Debt service	740,296
Unrestricted (deficit)	(3,358,565)
<b>Total net assets</b>	<b>\$ 20,479,212</b>

See accompanying notes.



SCHOOL DISTRICT OF THE CITY OF BAY CITY

DISTRICT-WIDE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Assets
Governmental activities:				
Instructional services	\$ 47,733,792	\$ 102,573	\$ 8,396,580	\$ (39,234,639)
Support services	26,515,694	312,699		(26,202,995)
Community services	482,688			(482,688)
Food services	3,240,309	1,283,109	1,903,541	(53,659)
Athletics	1,108,601	214,596		(894,005)
Day care programs	785,643	850,796		65,153
Community education	-	-		-
Bay 3 Television	92,847	69,369		(23,478)
Interest and costs on long-term debt	3,603,930			(3,603,930)
<b>Other Financing Sources (Uses)</b>				
Operating transfers (in)/out	614,276			(614,276)
Total governmental activities	<u>\$ 84,177,780</u>	<u>\$ 2,833,142</u>	<u>\$ 10,300,121</u>	<u>(71,044,517)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				10,560,583
Property taxes, levied for debt service				4,418,371
State aid - not restricted to specific purposes				56,778,341
Interest and investment earnings				3,076,306
Special education				1,039,206
Other				<u>(377,532)</u>
Total general revenues				<u>75,495,275</u>
Change in net assets				4,450,758
Net assets - beginning				16,028,454
Net assets - ending				<u>\$ 20,479,212</u>

See accompanying notes.

**SCHOOL DISTRICT OF THE CITY OF BAY CITY**

**GOVERNMENTAL FUNDS BALANCE SHEET**

June 30, 2008

	General Fund	Voted \$65,425,000 Capital Project Fund	Other Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,045,774	\$ 6,885,162	\$ 737,264	\$ 15,668,200
Investments		35,192,966		35,192,966
Property taxes receivable	102,166		13,698	115,864
Interest income receivable		427,526		427,526
Due from Intermediate School District	27,916			27,916
Due from Federal Government	963,005		15,294	978,299
Due from State of Michigan	10,861,211		29,417	10,890,628
Due from other government	3,767			3,767
Due from other funds	-		594,233	594,233
Accounts receivable	66,328		17,205	83,533
Inventories	239,808		26,782	266,590
Prepaid expenses	319,042			319,042
Total assets	<u>\$ 20,629,017</u>	<u>\$ 42,505,654</u>	<u>\$ 1,433,893</u>	<u>\$ 64,568,564</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and other current liabilities	\$ 1,854,200	\$ 6,736,342	\$ 69,760	\$ 8,660,302
Salaries payable	4,960,858		32,343	4,993,201
Payroll taxes	378,950		2,474	381,424
Retirement	1,581,615		5,408	1,587,023
Due to other funds	594,233			594,233
Deferred revenues	667,505		35,437	702,942
Interest payable	202,809			202,809
Note payable	6,400,000			6,400,000
Total liabilities	<u>16,640,170</u>	<u>6,736,342</u>	<u>145,422</u>	<u>23,521,934</u>
Fund balances:				
Reserved for:				
Reserve-arbitrage rebate on bond interest		227,829		227,829
Retirement of long-term debt			740,296	740,296
Unreserved:				
Designated for band uniforms	95,000			95,000
Designated for Deferred Maintenance	264,585			264,585
Designated for carry-over	273,007			273,007
Undesignated	3,356,255	35,541,483	548,175	39,445,913
Total fund balances	<u>3,988,847</u>	<u>35,769,312</u>	<u>1,288,471</u>	<u>41,046,630</u>
Total liabilities and fund balances	<u>\$ 20,629,017</u>	<u>\$ 42,505,654</u>	<u>\$ 1,433,893</u>	<u>\$ 64,568,564</u>

See accompanying notes.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE DISTRICT-WIDE  
STATEMENT OF NET ASSETS  
June 30, 2008**

<b>Total fund balances - governmental funds</b>	\$ 41,046,630
Amounts reported for governmental activities in the statement of net assets are different because:	
Accrued interest receivable on bond investments not recorded until received in the governmental funds	49,602
Bond construction in progress	36,421,974
Deferred property tax revenue is not reported in the fund statements but is reported in government activities	115,864
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
The cost of the capital assets is	\$ 54,813,398
Accumulated depreciation is	<u>(30,163,020)</u>
	24,650,378
Property tax receivable allowance is not reported in the fund statements but allowance is reported in government activities.	(23,173)
Accrued interest payable on bonds and loans not recorded until paid in the governmental funds	(580,313)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bonds and loan payable	(73,316,657)
Accrued arbitrage rebate	(227,829)
Other accrued benefits	<u>(7,657,264)</u>
<b>Total net assets - governmental activities</b>	<u><u>\$ 20,479,212</u></u>

See accompanying notes.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
Year Ended June 30, 2008**

	General Fund	Voted \$65,425,000 Capital Project Fund	Other Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>				
Local sources	\$ 12,836,176	\$ 2,929,962	\$ 6,920,336	\$ 22,686,474
State program revenues	60,055,130		161,121	60,216,251
Federal program revenues	4,625,044		1,742,420	6,367,464
Total revenues	<u>77,516,350</u>	<u>2,929,962</u>	<u>8,823,877</u>	<u>89,270,189</u>
<b>EXPENDITURES</b>				
Current:				
Instruction services	47,061,664			47,061,664
Support services	26,540,343		5,199,933	31,740,276
Community services	472,525			472,525
Debt service:				
Principal			2,926,903	2,926,903
Interest			3,684,994	3,684,994
Capital outlay	-	28,784,688	-	28,784,688
Total expenditures	<u>74,074,532</u>	<u>28,784,688</u>	<u>11,811,830</u>	<u>114,671,050</u>
Excess (deficiency) of revenues over expenditures	3,441,818	(25,854,726)	(2,987,953)	(25,400,861)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)	(3,708,760)		3,094,484	(614,276)
Acquisition costs - bond				-
Proceeds from bond issuance				-
Total other financing sources (uses)	<u>(3,708,760)</u>	<u>-</u>	<u>3,094,484</u>	<u>(614,276)</u>
Net change in fund balances	(266,942)	(25,854,726)	106,531	(26,015,137)
Fund balances - July 1, 2007	4,255,789	61,624,038	1,181,940	67,061,767
Fund balances - June 30, 2008	<u>\$ 3,988,847</u>	<u>\$ 35,769,312</u>	<u>\$ 1,288,471</u>	<u>\$ 41,046,630</u>

See accompanying notes.

**SCHOOL DISTRICT OF THE CITY OF BAY CITY**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008**

<b>Total net change in fund balances - governmental funds</b>	<b>\$ (26,015,137)</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the district-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The following depreciation expense is reflected district-wide statement of activities:	
Depreciation expense:	
Instruction	(1,114,482)
Support	(412,673)
Community Services	(10,163)
Food Services	(26,803)
Athletics	(664)
Total Depreciation Expense	<u>(1,564,785)</u>
Capital outlay	<u>613,626</u> (951,159)
Bond construction costs are reported as expenditures in the governmental statement of revenues, expenditures, and changes in fund balance but are reported as a non-current asset on the district-wide statement of net assets.	28,784,688
Repayment of bond and loan principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Bond principal payments	2,515,000
Loan principal payments	<u>411,903</u> 2,926,903
Durant bond principal was adjusted per the State of Michigan and is reflected on the statement of net assets as a change in liabilities	(74,970)
Repayment of capital lease is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	354,120
Gross proceeds were received from a capital lease for computers. The amounts are treated as a source of financing in the governmental funds. However, in the statement of net assets, the proceeds are treated as a long-term liability and are reflected in the statement of activities	(498,750)
Decrease in the allowance for property taxes is a decrease in expense for the statement of net assets but are recorded in the governmental funds. In 2006-07 the allowance was \$30,133 while in 2007-08 the allowance was \$23,173 or a decrease of \$6,960.	6,960
Property taxes receivable that the District does not anticipate will be collected within 60 days following the balance sheet date are reported as deferred revenue in the governmental fund balance sheet. However, property taxes receivable are not considered a deferred revenue in the district-wide statement of net assets. For 2007-08 that amount was \$115,864. Deferred revenue was adjusted an additional \$65,880 for property taxes from 2006-07	181,744
Accrued interest from bond investments is recorded on the district-wide statement of net assets and statement of activities when earned regardless of the date paid after the balance sheet date. On governmental fund statements, interest from bond investments is accrued only if payment is received no later than 60 days after the balance sheet date. The difference between accrued interest receivable reported in the statement of net assets and the governmental fund statements was \$306,236 in 2006-07 and \$49,602 in 2007-08. The difference between these two accrued interest differences represents a decrease in income reported on the district-wide statement of activities.	(256,634)
Other accrued benefits is an expenditure in the governmental funds, but these payments reduce long-term liabilities in the statement of net assets.	1,103,086
As other accrued benefits increased on the statement of net assets between 2006-07 to 2007-08 by \$106,825 and payments to reduce the liability were \$1,103,086, the additional benefits accrued during 2007-08 are reflected in the statement of activities.	(1,209,911)
In the district-wide statement of activities, unemployment expense payable is reported as a liability when accrued regardless of date payable. However on the governmental fund statements a liability is accrued only if payable no later than 60 days after the balance sheet date. In 2006-07 the liability recorded on the district-wide statement of net assets was \$18,755 but was reduced to \$0 for 2007-08 which reflects a change in net assets.	18,755
Accrued arbitrage rebate from bond interest income due at the completion of the bond construction period. decreased from \$299,894 in 2006-07 to \$227,829 in 2007-08.	72,065
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The interest reported in the statement of activities is the net result of these two factors. Accrued interest on bonds decreased from \$589,311 in 2006-07 to \$580,313 in 2007-08.	8,998
<b>Change in net assets of governmental activities</b>	<b><u>\$ 4,450,758</u></b>

See accompanying notes.

**SCHOOL DISTRICT OF THE CITY OF BAY CITY**

**STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2008**

	<u>Expendable Trusts</u>	<u>Agency Fund - Student Activities</u>
<b>ASSETS</b>		
Cash and cash equivalents		\$ 974,036
Accounts receivable		
Due from other funds	\$ 28,929	
Total assets	<u>\$ 28,929</u>	<u>\$ 974,036</u>
<b>LIABILITIES</b>		
Due to other funds		\$ 28,929
Due to student groups	\$ 28,929	945,107
Total liabilities	<u>\$ 28,929</u>	<u>\$ 974,036</u>
<b>NET ASSETS</b>		
Total net assets	<u>\$ -</u>	

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**Year Ended June 30, 2008**

	<u>Expendable Trusts</u>
<b>ADDITIONS</b>	
Gifts and contributions	\$ 14,731
<b>DEDUCTIONS</b>	
Scholarships awarded	17,108
Change in net assets	<u>(2,377)</u>
Net assets - July 1, 2007	31,306
Net assets - June 30, 2008	<u>\$ 28,929</u>

*See accompanying notes.*

**School District of the City of Bay City**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2008**

# SCHOOL DISTRICT OF THE CITY OF BAY CITY

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

### 1. Summary of Significant Accounting Policies

The financial statements of the School District of the City of Bay City (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The more significant of the District's accounting policies are described below:

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the District's activities.
- Fund financial statements that focus on the major funds.

### Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting standards generally accepted in the United States of America, currently GASB Statement #14, *The Financial Reporting Entity* and GASB Statement #39, *Determining Whether Certain Organizations are Component Units*.

Based upon the application of these criteria, the financial statements of the School District of the City of Bay City contain all the funds controlled by the District's Board of Education as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the District nor is the District a component unit of another entity.

### Basic Financial Statements – Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

In the government-wide Statement of Net Assets, the columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts: invested in capital assets, net or related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.



## **SCHOOL DISTRICT OF THE CITY OF BAY CITY**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **1. Summary of Significant Accounting Policies (continued)**

##### **Basic Financial Statements – Government-Wide Statements (continued)**

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

In creating the government-wide financial statements, the District has eliminated interfund transactions.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

##### **Basic Financial Statements – Fund Financial Statements**

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the District:

##### **Governmental Funds**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

- a. General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Expenditures are classified in accordance with the Accounting Manual issued by the Michigan Department of Education (Bulletin 1022).
- b. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

# **SCHOOL DISTRICT OF THE CITY OF BAY CITY**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **1. Summary of Significant Accounting Policies (continued)**

#### **Governmental Funds (continued)**

- c. Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.
- d. Capital projects funds are used to account for receipt and disbursement of monies used for the acquisition of capital assets, including equipment. Principal resources of revenues are from bond proceeds, tax levies, interest and transfers from other funds. Unexpended revenues no longer needed for projects for which the bonds were originally approved generally must be transferred to the debt service fund.

#### **Fiduciary Funds**

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The fiduciary fund net assets and results of operations are not included in the government-wide statements.

Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, organizations, or other funds. Agency Funds are custodial in nature and do not involve measurement of results of operations. The District has a sole agency fund, the Student Activity Fund, which accounts for the transactions of student clubs, organizations, and other groups.

The District has a sole Expendable Trust Fund which is used to account for scholarship funds received by the District which they administer in a trustee capacity.

#### **Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

#### **Accrual**

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

#### **Modified Accrual**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

# **SCHOOL DISTRICT OF THE CITY OF BAY CITY**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **1. Summary of Significant Accounting Policies (continued)**

#### **Modified Accrual (continued)**

Those revenues susceptible to accrual are property taxes, state aid, interest, grants, and charges for services. Other revenue is recorded when received.

#### **State Foundation Revenue**

The State of Michigan uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on the pupil membership counts taken in February and September of 2007.

The State portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October, 2007 to August, 2008. Thus, the unpaid portion at June 30th is reported as due from State of Michigan. The local revenue is recognized as outlined in Note 1 – Property Taxes.

#### **State Categorical Revenue**

The District also receives revenue from the State to administer certain categorical education programs. State guidelines require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

#### **Federal Revenue**

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

#### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of six months or less from date of acquisition.

#### **Deposits and Investments**

The District reports its investments in accordance with GASB Statement #31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. These

# **SCHOOL DISTRICT OF THE CITY OF BAY CITY**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **1. Summary of Significant Accounting Policies (continued)**

#### **Deposits and Investments (continued)**

statements also address common deposit and investment risks related to credit risk, concentration of credit risk, and foreign currency risk. As an element of interest rate risk, the Statements require certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified are also disclosed.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. Outstanding investments at June 30, 2008 consisted of certificate of deposits and U.S. Treasury obligations totaling \$35,192,966.

#### **Short-term Interfund Receivables/Payables**

During the course of operations numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the governmental funds balance sheet.

#### **Accounts Receivable**

In the Statement of Net Assets, the District does not anticipate an inability to collect receivables based on previous years and as such has not recorded an allowance for uncollectible receivables. If an allowance for uncollectible receivables had been anticipated it would not be recorded in the governmental funds balance sheet.

#### **Property Taxes**

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of July 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is September 30, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed valuation:

#### Fund

General Fund - Non-Homestead properties	18.0000 mills
Debt Service - All properties	2.3500 mills

## **SCHOOL DISTRICT OF THE CITY OF BAY CITY**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **1. Summary of Significant Accounting Policies (continued)**

##### **Property Taxes (continued)**

The delinquent real property taxes of the District are purchased by Bay County. The County sells tax notes, the proceeds of which are used to pay the District for these property taxes.

Property taxes receivable represents unremitted real property taxes from various governmental units and uncollected personal property taxes. Amounts deemed to be collectible within 60 days have been recorded as revenue for the current year in the fund statements. Property taxes not deemed collectible within this period are recorded as deferred revenue in the governmental funds statements and revenue in the district-wide statements. The total property tax receivable as reflected in the fund financial statements is \$115,864. The government-wide Statement of Net Assets reflects property taxes receivable of \$92,691 which is shown net of an allowance for uncollectible amounts in the amount of 20% or \$23,173 of the total property tax receivable and is based on past collection history.

##### **Inventories**

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in governmental funds include supplies and transportation parts. Inventories in the food service fund include food products used for hot lunch. The inventories are recorded as expenditures when consumed rather than when purchased.

##### **Capital Assets**

Buildings, land improvements, machinery and equipment (other than technology assets), and vehicles and buses purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Technology capital assets (personal computers, monitor and printers) with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Buildings use a 20% salvage value in their calculation, while all other capital assets have no salvage value.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Land improvements	15 years
Buildings	50 years
Machinery and equipment	4-15 years
Vehicles and buses	8 years

## **SCHOOL DISTRICT OF THE CITY OF BAY CITY**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **1. Summary of Significant Accounting Policies (continued)**

##### **Unemployment Insurance**

The District reimburses the Michigan Employment Security Agency (MESA) for the actual amount of unemployment benefits disbursed by the MESA on behalf of the District. Billings received for amount paid by the MESA through June 30 are accrued.

##### **Deferred Revenues**

The unexpected balance of various federal and/or state categorical grants is carried forward as deferred revenue until the period in which eligible expenditures are incurred. Other monies collected in advance are also deferred.

##### **Long-Term Obligations**

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

In the governmental funds financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

##### **Other Accrued Benefits**

The District accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The District also accrues for unpaid early retirement incentives and the estimated liability for workers compensation claims.

##### **Fund Equity**

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spendable resources." The designated fund balances for governmental funds represent tentative plans for future use of financial resources. A portion of the unreserved fund balance has been identified by the District as unexpended funds from school building classroom supply accounts that will be carried over into the 2008-2009 school year. Another portion of the designation is to purchase band uniforms and a third designation is for deferred maintenance.

## **SCHOOL DISTRICT OF THE CITY OF BAY CITY**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **1. Summary of Significant Accounting Policies (continued)**

##### **Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses in the governmental funds statements. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

##### **Budgets and Budgetary Policies**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end.

The District maintains a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to June 1, the Superintendent submits to the Board of Education a proposed operating budget by function for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them and is prepared on the basis of accounting used by the particular fund.
- b. A public hearing is held in June to obtain taxpayer comment.
- c. Prior to July 1, the budget is adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 OF 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditure in violation of the budgeting act are disclosed as unfavorable variances on the combined statement of revenues, expenditures and changes in fund balances - budget and actual (GAAP basis) - general, special revenue and debt service funds.
- d. Any revisions that alter the total expenditures of any function must be approved by the Board of Education. During the year the District made minor budget amendments which were not material to the original appropriation. All unencumbered appropriations lapse at year-end while encumbered appropriations are carried forward to the next fiscal year.

A comparison of actual results of operations to the budgeted amounts for the General Fund is presented as Required Supplemental Information.

# SCHOOL DISTRICT OF THE CITY OF BAY CITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1. Summary of Significant Accounting Policies (continued)

#### Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

### 2. Cash, Cash Equivalents, and Unexpended Bond Proceeds- Investments

The District's policy on deposits is to pre-qualify financial institutions in order to minimize custodial credit risk.

At June 30, 2008, the District's deposits were reported in the governmental funds financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and cash equivalents	<u>\$15,668,200</u>	<u>\$974,036</u>	<u>\$16,642,236</u>

At June 30, 2008 the book value of the District's demand deposits, consisting of deposits and their cash equivalents, was \$16,642,236 with a corresponding bank balance of \$17,111,066 of which \$601,466 was covered by Federal depository insurance and \$16,509,600 was uninsured of which \$7,076,000 was held in trust and backed by U.S. government securities, and \$9,433,600 was uncollateralized; therefore, the District is subjected to custodian credit risk. Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it.

The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are in the opinion of the District subject to minimal risk.

Included in cash and cash equivalents above is \$6,885,162 of unexpended bond proceeds in the capital projects fund.

#### Unexpended Bond Cash and Investments

In 2006-07 the District retained the services of National City Bank Investments Incorporated to assist with the management of the investment of unexpended 2006 bond proceeds in accordance with State statutes. As of June 30, 2008, these investments at cost on the governmental balance sheet totaled \$35,192,966 and were comprised entirely of U.S. Government Treasury Notes. Investments as of June 30, 2008 using a full accrual method for interest to determine market value are as follows:



# SCHOOL DISTRICT OF THE CITY OF BAY CITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. Cash, Cash Equivalents, and Unexpended Bond Proceeds - Investments (continued)

#### Unexpended Bond Cash and Investments (continued)

Investment Type	Rating	Fair Market Value	Investment Maturities (in Years) at June 30, 2008			
			Less Than 1	1 - 5	6 - 10	More Than 10
<u>U.S. Government Obligations:</u>						
U.S. Treasury Notes	Moody's Aaa	<u>35,670,094</u>	<u>19,549,462</u>	<u>16,120,632</u>		
Total U.S. Government Obligations		35,670,094	19,549,462	16,120,632		
 Investments reported as cash and cash equivalents on the statement of net assets						
Cash and cash equivalent		8,783,038				
Unexpended bond proceeds-cash		<u>6,885,162</u>				
Total Investments		<u>\$51,338,294</u>	<u>\$19,549,462</u>	<u>\$16,120,632</u>		

#### As Reported in the Statement of Net Assets:

##### Current Assets:

Cash and Cash equivalents	8,783,038
Unexpended bond proceeds - cash	6,885,162
Current unexpended bond proceeds -- investments	19,288,971
Noncurrent unexpended bond proceeds -- investments	15,903,995
Accrued interest receivable (full accrual method)	<u>477,128</u>
Total investments	<u>\$51,338,294</u>

## **SCHOOL DISTRICT OF THE CITY OF BAY CITY**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. Cash, Cash Equivalents, and Unexpended Bond Proceeds - Investments (continued)**

##### **Unexpended Bond Cash and Investments (continued)**

##### **Interest Rate Risk**

The District has a formal investment policy within the guidelines established by State statute which does include some limits on investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates. The District manages interest rate risk by having investments mature within 3 years. Interest rates at June 30, 2008 on cash and cash equivalents and investments ranged from 1.70% to 5.00%.

##### **Concentration of Credit Risk**

Deliberate management of the asset mix among classes of investments is a necessary and desirable responsibility. In the allocation of assets, diversification of investments among asset classes that are not similarly affected by economic, political, or social developments is a highly desirable objective. The general policy shall be to diversify investments so as to provide a balance that will enhance total return, while avoiding undue risk concentrations in any single asset class or investment category. The majority of the District's investments are in U.S. Treasury Notes which are backed by the U.S. Government.

##### **Foreign Currency Risk**

The District is not allowed by State statute to invest in foreign investments and accordingly has no foreign investments.

##### **Custodial Credit Risk**

For deposits, custodial credit risk is present if the deposits are not covered by depository insurance and are 1) uncollateralized, 2) collateralized with securities held by the pledging financial institution; or 3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

For an investment, custodial credit risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The District had custodial credit risk of \$9,433,600 at June 30, 2008, in its investment portfolio.

# DISTRICT OF THE CITY OF BAY CITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. Capital Assets

Governmental capital asset activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated – land	\$ 810,116	\$ -	\$ -	\$ 810,116
Other capital assets:				
Land improvements	4,142,234	-	-	4,142,234
Buildings	35,224,203	-	-	35,224,203
Machinery and equipment	9,199,250	530,424	-	9,729,674
Vehicles and buses	4,823,969	83,202	-	4,907,171
Bond construction in progress	7,637,286	28,784,688	-	36,421,974
Total – other capital assets	61,837,058	29,398,314	-	91,235,372
Accumulated depreciation:				
Land improvements	2,633,184	184,547	-	2,817,731
Buildings	14,975,455	470,243	-	15,445,698
Machinery and equipment	7,499,971	560,369	-	8,060,340
Vehicles and buses	3,489,625	349,626	-	3,839,251
Total – accumulated depreciation	28,598,235	1,564,785	-	30,163,020
Capital assets, net	\$33,238,823	\$ 27,833,529	\$ -	\$ 61,072,352

Bond construction in progress for 2007-08 is the amount of bond proceeds used during the year for capital construction on existing school district buildings. At the conclusion of the bond construction period, accumulated bond construction in progress will be allocated to the appropriate building capital assets. Depreciation expense was allocated to activities as follows:

#### Governmental activities:

Instruction	\$1,114,482
Support services	412,673
Community services	10,163
Food services	26,803
Athletics	664
Total governmental activities depreciation expense	<u>\$1,564,785</u>

## DISTRICT OF THE CITY OF BAY CITY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 4. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, total deferred revenue is \$702,942 and consists of the following components:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent Property Taxes	\$ 115,864	\$ —
Grant and categorical aid payments received prior to meeting all eligibility requirements	—	565,339
Unearned service fees and food sales		21,739
<b>Total</b>	<b>\$ 115,864</b>	<b>\$ 587,078</b>

Of the \$115,864 in delinquent property taxes, the District has estimated an allowance of 20% or \$23,173 that may be uncollectible based on prior collection history.

#### 5. State Aid Anticipation Note Payable

At June 30, 2008, the District has an outstanding note of \$6,400,000 (state aid note) dated August 20, 2007. The note has an interest rate of 3.68% and matures on August 20, 2008. The District has pledged its anticipated state aid receipts from the 2007-08 school year as security for the note.

#### 6. Long-Term Debt

The District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Other long-term obligations include amounts due to employees under contracts negotiated with the employee groups, for payment of unused sick leave, termination bonuses under formulas and conditions specified in their contracts, and amounts due for estimated workers' compensation claims liability.

During the 1998-99 year, the District received approval of a limited obligation bond issue (Durant) payable in installments for 15 years through 2013 with interest of 4.76% for technology improvements.

During the 1999-00 year, the District received approval of a \$6,000,000 non-voted bond issue, payable in installments for 8 years through 2008 with interest from 5.10% to 5.30% for the purpose of erecting, furnishing and re-equipping school facilities, in part for educational technology and developing and improving sites. The final payment was made in the 2007-08 school year.

During the 2000-01 year, the District received approval of a \$4,000,000 non-voted bond issue, payable in installments for 8 years through 2009 with interest from 3.875% to 4.00% for the

## DISTRICT OF THE CITY OF BAY CITY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6. Long-Term Debt (continued)

purpose of erecting, furnishing and re-equipping school facilities and developing and improving sites. The final payment will be made during the 2008-09 school year.

During the 2002-03 year, the District entered into a loan agreement for the purchase of a bus fleet, payable in annual installments of \$233,705, including interest at 3.41% through 2008. The final payment will be made during the 2008-09 school year.

During the 2004-2005 year, the District received approval of a \$5,930,000 voted bond issue, payable in installments for 20 years through 2024 with interest from 3.25% to 4.30% for the purpose of improving school facilities and developing and improving sites.

During the 2005-2006 year, the District entered into a capital lease obligation with Hewlett Packard to replace technology equipment. The lease provides for quarterly installments of \$46,932 for 4 years through 2010 with interest at 4%.

During the 2005-2006 year, the District entered into loan agreements for the purchase of a bus fleet, payable in annual installments of \$137,585 and \$29,150 through 2010 with interest at 4%.

During the 2005-2006 year, the District received approval of a \$66,800,000 voted bond issue, payable in installments for 30 years through 2036 with interest from 4% to 5% for the purpose of asbestos control, building improvement and development and installation of handicap accessible improvements.

During the 2006-07 school year, the District entered into a capital lease obligation with Hewlett Packard to replace technology equipment. The lease provides for quarterly installments of \$56,531 for 5 years through 2011 with interest at 5.436%.

During the 2007-08 school year, the District entered into a capital lease obligation with Hewlett Packard to replace technology equipment. The lease provides for quarterly installments of \$31,631 for 4 years through 2012 with interest at 0.36%.

During the 2006-07 school year, the District entered into a loan agreement with Chemical Bank for the purchase of snow plows payable in annual installments of \$11,776 for 6 years through 2012 with interest at 5.00%. During 2007-08 the District decided to pay off the total remaining balance of the loan.

The District received annual arbitrage calculations of the 2006 bond proceeds during 2006-07 and 2007-08. Under arbitrage, proceeds from interest earned are set aside when interest income exceeds the interest cost on the bond debt. Therefore, arbitrage is shown as an addition to long-term debt.

# DISTRICT OF THE CITY OF BAY CITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 6. Long-Term Debt (continued)

Long-term debt at June 30, 2008 is comprised of the following:

	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
Durant Limited Obligation Bonds	4.76%	2013	\$606,100
2001 Non-Voted Bonds	3.875%-4.00%	2009	500,000
Capital lease obligations	0.36%-5.436%	2012	1,531,765
Bus loans	3.41%-4.00%	2010	688,792
School Improvement Bonds	3.25%-4.30%	2024	5,665,000
School Building and Site Bonds	4.00%-5.00%	2036	64,325,000
Arbitrage accumulated on bonds			227,829
Accumulated sick leave and severance			7,305,421
Accumulated vacation			251,843
Estimated liability for workers compensation			100,000
<b>Total</b>			<b><u>\$81,201,750</u></b>

The following is a summary of governmental long-term transactions for the District for the year ended June 30, 2008:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Bonds	\$ 73,536,130	\$ 74,970	\$ 2,515,000	\$ 71,096,100	\$ 2,087,300
Capital lease obligations	1,387,135	498,750	354,120	1,531,765	485,381
Bus loans	1,049,918	-	361,126	688,792	374,268
Maintenance Vehicle Loan	50,777	-	50,777	-	-
Arbitrage accumulated on bonds	299,894	-	72,065	227,829	-
Accumulated sick leave and severance	7,122,424	1,165,000	982,003	7,305,421	823,094
Accumulated vacation	268,015	-	16,172	251,843	-
Estimated liability for workers compensation	160,000	44,911	104,911	100,000	-
<b>Total</b>	<b><u>\$ 83,874,293</u></b>	<b><u>\$ 1,783,631</u></b>	<b><u>\$ 4,456,174</u></b>	<b><u>\$81,201,750</u></b>	<b><u>\$ 3,770,043</u></b>

# DISTRICT OF THE CITY OF BAY CITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 6. Long-Term Debt (continued)

Annual debt service requirements to service the borrowings outstanding to maturity, including both principal and interest, are as follows:

	Principal	Interest	Total
2009	\$ 2,946,949	\$ 3,491,669	\$ 6,438,618
2010	2,509,986	3,369,892	5,879,878
2011	3,050,101	3,313,658	6,363,759
2012	2,883,231	3,138,507	6,021,738
2013	3,051,390	3,006,119	6,057,509
2014-2036	58,875,000	33,736,655	92,611,655
<b>Total</b>	<b>\$ 73,316,657</b>	<b>\$ 50,056,500</b>	<b>\$123,373,157</b>

### 7. Interfund Receivables and Payables

The amount of interfund receivables and payables at June 30, 2008 are as follows:

Receivable Fund	Payable Fund	Amount
Special revenue funds	General fund	\$594,233

For the year ended June 30, 2008, there were \$3,708,760 of transfers from the general fund to other funds and external organizations. The general fund had operating transfers out and other governmental funds had operating transfers in of \$3,094,484. The remaining General fund transfers of \$614,276 were to external organizations.

Transfers to external organizations:

Bay Arenac Intermediate School District Adult Education	\$ 252,829
Local Agencies for Parent Involvement Education Grant programs	361,447
<b>Total</b>	<b>\$ 614,276</b>

### 8. Employee Retirement System - Defined Benefit Plan

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan

## DISTRICT OF THE CITY OF BAY CITY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 8. Employee Retirement System - Defined Benefit Plan (continued)

administered by the nine member board of the MPSERS. The MPSERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPSERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000 and 4.3% of all wages over \$15,000. Members who enroll on or after July 1, 2008 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000 and 6.4% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributes at the rate of 3.9% of gross wages beginning at enrollment. Market rate of interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amount on a cash disbursement basis. The rates for the year ended June 30, 2007 were 16.34% of payroll through September 30, 2006 and 17.74% effective October 1, 2006. The rates for the year ended June 30, 2008 was 17.74% of payroll through September 30, 2007 and 16.72% effective October 1, 2007. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the years ended June 30, 2008, 2007, 2006 and 2005 were \$7,380,126, \$7,367,525, \$6,902,058, and \$6,764,058 respectively, equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits which are the responsibility of the State of Michigan.

#### Other Postemployment Benefits

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage. These benefits are not included in the pension benefit obligation referred to above.



## DISTRICT OF THE CITY OF BAY CITY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 9. Risk Management

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring property and casualty. The pool is considered a public entity risk pool.

The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums plus investment income earned on the annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool retains a policy of funding the aggregate assessment point at 100%. Therefore, a special assessment for each District would not be required. The pool maintains insurance for each claim in excess of \$500,000 for property claims and \$600,000 for liability claims for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District is self-insured for workers compensation for claims up to \$350,000 per occurrence. Claims above \$350,000 per occurrence are covered by an insurance policy, which provides up to \$1,000,000 per occurrence and \$5,000,000 in aggregate. Claims are paid by a third party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement.

The costs associated with the workers' compensation self-insurance plan is reported as operating expenditures of the General Fund. The \$100,000 estimated liability of the workers' compensation self-insurance plan includes incurred but not reported claims. These estimated liabilities reported in the District-Wide Statements at June 30, 2008 are based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated. Since actual claims liabilities depend on complex factors, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically by a third party administrator to take into consideration recently settled claims, the frequency of claims and other economic and social factors.

Changes in the estimated workers' compensation claims liability amounts in fiscal 2007 and 2008 were:

	<u>Beginning of Fiscal year liability</u>	<u>Current year claims and changes in estimate</u>	<u>Claim payments</u>	<u>Balance at fiscal year end</u>
2007	\$200,000	\$ 101,401	\$141,401	\$160,000
2008	\$160,000	\$ 44,911	\$104,911	\$100,000

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

## **DISTRICT OF THE CITY OF BAY CITY**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **10. Litigation**

The District is the defendant in various lawsuits; however, for cases in which there is a potential adverse claim, the settlements are not expected to exceed insurance limits or the amounts involved are immaterial to the financial position of the District. In all other cases, the District's counsel has deemed the probability of loss remote. No liability or reservation of fund balance has been established for any potential adverse claim.

**School District of the City of Bay City**

**REQUIRED SUPPLEMENTAL FINANCIAL  
STATEMENT INFORMATION**

**June 30, 2008**

**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable - (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 13,697,087	\$ 13,142,288	\$ 12,836,176	\$ (306,112)
State program revenues	57,608,990	59,576,392	60,055,130	478,738
Federal program revenues	4,146,603	4,998,121	4,625,044	(373,077)
Total revenues	<u>75,452,680</u>	<u>77,716,801</u>	<u>77,516,350</u>	<u>(200,451)</u>
<b>EXPENDITURES</b>				
Current:				
Instructional services	46,613,974	47,573,904	47,061,664	512,240
Support services	24,574,042	26,254,535	26,540,343	(285,808)
Community services	810,805	592,491	472,525	119,966
Total expenditures	<u>71,998,821</u>	<u>74,420,930</u>	<u>74,074,532</u>	<u>346,398</u>
Excess of revenues over expenditures	<u>3,453,859</u>	<u>3,295,871</u>	<u>3,441,818</u>	<u>145,947</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer in (out)	(3,914,827)	(3,845,013)	(3,708,760)	136,253
Net change in fund balances	(460,968)	(549,142)	(266,942)	282,200
Fund balances - July 1, 2007	3,473,503	4,255,789	4,255,789	-
Fund balances - June 30, 2008	<u>\$ 3,012,535</u>	<u>\$ 3,706,647</u>	<u>\$ 3,988,847</u>	<u>\$ 282,200</u>

**School District of the City of Bay City**

**OTHER SUPPLEMENTAL FINANCIAL  
STATEMENT INFORMATION**

**June 30, 2008**

# **School District of the City of Bay City**

## **GENERAL FUND**

**June 30, 2008**

***The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds.***

**GENERAL FUND**  
**STATEMENT OF REVENUES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2008**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
<b>Local Sources:</b>			
Property taxes	\$ 10,625,993	\$ 10,371,879	\$ (254,114)
Interest on delinquent taxes	55,000	84,872	29,872
Tuition	130,000	102,573	(27,427)
Interest earned	340,000	338,026	(1,974)
Rentals	70,000	92,174	22,174
Transportation	100,000	164,866	64,866
Medicaid School Based Services	130,000	147,833	17,833
Miscellaneous	561,295	494,747	(66,548)
Special education transfer	1,130,000	1,039,206	(90,794)
Total Local Sources	13,142,288	12,836,176	(306,112)
<b>State Sources:</b>			
<b>Grants - unrestricted:</b>			
State School Aid	56,066,965	56,778,341	711,376
<b>Grants - restricted:</b>			
Vocational education - added costs	43,540	41,331	(2,209)
Special education	366,756	333,102	(33,654)
Court Placed Children	79,203	79,204	1
Early childhood education	841,707	649,122	(192,585)
At Risk	1,936,351	1,934,877	(1,474)
Bilingual	8,121	6,946	(1,175)
Adult education	81,005	83,634	2,629
Durant	147,879	147,880	1
Golden Apple Award	4,865	693	(4,172)
Total State Sources	59,576,392	60,055,130	478,738
<b>Federal Sources:</b>			
Title V-C - Indian Education	49,643	49,643	-
Title I - Regular	2,835,916	2,624,572	(211,344)
Title I - Carryover	443,573	443,573	-
Title II - Part A Regular	738,613	687,972	(50,641)
Title II - Part A Carryover	129,157	129,157	-
Title II - Part D Regular	26,112	17,257	(8,855)
Title II - Part D Carryover	2,917	2,916	(1)
Title III - Limited English Proficiency	50,963	50,963	-
Title VI	15,406	15,406	-
Safe and Drug Free Regular	59,363	55,694	(3,669)
Safe and Drug Free Carryover	7,857	7,857	-
Medicaid Outreach	50,000	-	(50,000)
Special Education Medicaid Services	37,000	-	(37,000)
Special Education IDEA Funds: Flow-through	279,236	279,236	-
Special Education IDEA Funds: Pre-primary	97,115	97,115	-
Michigan Works	162,100	150,453	(11,647)
Transitional Services Grant	7,150	6,629	(521)
Carl Perkins Vocational Grant	6,000	6,601	601
Total Federal Sources	4,998,121	4,625,044	(373,077)
Total Revenue	\$ 77,716,801	\$ 77,516,350	\$ (200,451)

GENERAL FUND  
STATEMENT OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2008

	<u>Salaries and Wages</u>	<u>Purchased Services</u>	<u>Supplies and Other Costs</u>
<b>INSTRUCTION</b>			
Basic Programs:			
Elementary	\$ 12,379,258	\$ 448,915	\$ 317,660
Middle school	4,605,475	144,460	73,187
High school	6,926,972	166,756	660,301
Total Basic Programs	<u>23,911,705</u>	<u>760,131</u>	<u>1,051,148</u>
Added Needs:			
Special education	3,637,524	6,097	6,544
Compensatory education	2,290,041	42,102	540,401
Vocational education	77,032	8,466	27,205
Total Added Needs	<u>6,004,597</u>	<u>56,665</u>	<u>574,150</u>
Adult/Continuing Education:			
Adult instruction	51,524		
Total Adult Education	<u>51,524</u>	<u>-</u>	<u>-</u>
Total Instruction	<u>29,967,826</u>	<u>816,796</u>	<u>1,625,298</u>
<b>SUPPORTING SERVICES</b>			
Pupil:			
Truancy services	52,589		210
Guidance services	1,166,367	2,601	4,524
Psychological services	5,818		
Other pupil services	648,372	118,626	15,788
Total Pupil	<u>1,873,146</u>	<u>121,227</u>	<u>20,522</u>
Instructional Staff:			
Improvement of instruction	726,749	181,851	59,831
Library/media	234,819		135,229
Supervision and direction	340,503	1,824	6,389
Total Instructional Staff	<u>1,302,071</u>	<u>183,675</u>	<u>201,449</u>



GENERAL FUND  
STATEMENT OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2008

<u>Capital Outlay</u>	<u>Employee Benefits</u>	<u>Total</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 707,596	\$ 5,129,341	\$ 18,982,770	\$ 19,611,884	\$ 629,114
32,452	2,165,855	7,021,429	7,057,664	36,235
72,005	3,115,670	10,941,704	11,041,082	99,378
<u>812,053</u>	<u>10,410,866</u>	<u>36,945,903</u>	<u>37,710,630</u>	<u>764,727</u>
8,332	1,939,813	5,598,310	5,395,558	(202,752)
-	1,395,621	4,268,165	4,149,692	(118,473)
31,570	31,640	175,913	198,447	22,534
<u>39,902</u>	<u>3,367,074</u>	<u>10,042,388</u>	<u>9,743,697</u>	<u>(298,691)</u>
	21,849	73,373	119,577	46,204
-	21,849	73,373	119,577	46,204
<u>851,955</u>	<u>13,799,789</u>	<u>47,061,664</u>	<u>47,573,904</u>	<u>512,240</u>
	26,401	79,200	83,905	4,705
	496,052	1,669,544	1,645,175	(24,369)
	124	5,942	6,617	675
	277,615	1,060,401	1,188,548	128,147
-	800,192	2,815,087	2,924,245	109,158
	386,541	1,354,972	1,448,504	93,532
	125,989	496,037	498,457	2,420
76,301	182,634	607,651	623,654	16,003
<u>76,301</u>	<u>695,164</u>	<u>2,458,660</u>	<u>2,570,615</u>	<u>111,955</u>

**GENERAL FUND**  
**STATEMENT OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL**  
For the Year Ended June 30, 2008

	<u>Salaries and Wages</u>	<u>Purchased Services</u>	<u>Supplies and Other Costs</u>
<b>SUPPORTING SERVICES (CONT'D)</b>			
General Administration:			
Board of education		\$ 44,484	\$ 35,238
Executive administration	227,092	9,562	59,855
Total General Administration	<u>227,092</u>	<u>54,046</u>	<u>95,093</u>
School Administration:			
Office of the principal and other administration	3,368,752	838	76,223
Total School Administration	<u>3,368,752</u>	<u>838</u>	<u>76,223</u>
Business:			
Fiscal services	344,680	15,082	18,472
Internal services	57,841	102,044	90,432
Other Business Services	-	-	274,957
Operation & maintenance of plant	3,224,664	771,399	2,360,907
Pupil transportation services	1,574,026	111,044	602,002
Total Business	<u>5,201,211</u>	<u>999,569</u>	<u>3,346,770</u>
Central:			
Planning, research & development	40,985	67,486	8,932
Staff services	388,584	97,503	12,369
Data processing services	307,169	16,160	43,844
Pupil accounting	180,305	33,146	1,775
Other Central Services	35,299	-	2,657
Total Central	<u>952,342</u>	<u>214,295</u>	<u>69,577</u>
Employee benefits			
Total Supporting Services	<u>12,924,614</u>	<u>1,573,650</u>	<u>3,809,634</u>
<b>COMMUNITY SERVICES</b>			
Community services	97,891	63,773	261,916
Total Community Services	<u>97,891</u>	<u>63,773</u>	<u>261,916</u>
<b>OTHER FINANCING USES</b>			
Operating Transfers:			
Transfer to Special Revenue Fund-Athletics			893,341
Transfer to Special Revenue Fund-TV			31,000
Transfer to Debt Service Fund			2,170,143
Transfer to Other Governmental Units			614,276
Total Other Financing Uses			<u>3,708,760</u>
Total Expenditures and Other Financing Uses	<u>\$ 42,990,331</u>	<u>\$ 2,454,219</u>	<u>\$ 9,405,608</u>

GENERAL FUND  
STATEMENT OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2008

<u>Capital Outlay</u>	<u>Employee Benefits</u>	<u>Total</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
		\$ 79,722	\$ 113,250	\$ 33,528
	81,526	378,035	393,643	15,608
-	81,526	457,757	506,893	49,136
-	1,759,993	5,205,806	4,982,974	(222,832)
-		5,205,806	4,982,974	(222,832)
-	193,372	571,606	549,359	(22,247)
-	31,338	281,655	276,710	(4,945)
-	-	274,957	254,761	(20,196)
721,345	1,868,011	8,946,326	8,721,429	(224,897)
4,975	1,314,663	3,606,710	3,503,477	(103,233)
726,320	3,407,384	13,681,254	13,305,736	(375,518)
1,106	29,575	148,084	171,940	23,856
1,560	229,301	729,317	724,615	(4,702)
133,710	187,403	688,286	732,692	44,406
1,490	86,026	302,742	290,199	(12,543)
	15,394	53,350	44,626	(8,724)
137,866	547,699	1,921,779	1,964,072	42,293
940,487	7,291,958	26,540,343	26,254,535	(285,808)
	48,945	472,525	592,491	119,966
-	48,945	472,525	592,491	119,966
		893,341	938,013	44,672
		31,000	31,000	-
		2,170,143	2,170,356	213
		614,276	705,644	91,368
		3,708,760	3,845,013	136,253
\$ 1,792,442	21,140,692	\$ 77,783,292	\$ 78,265,943	\$ 482,651

# **School District of the City of Bay City**

## **SPECIAL REVENUE FUNDS**

**June 30, 2008**

***Special Revenue Funds are used to segregate the transaction of particular activities from regular revenue and expenditure accounts. The School District maintains full control of these funds. The Special Revenue Funds maintained by the School District, as mandated by the State of Michigan, are Food Service, Day Care, Community Education, Bay 3-TV, and Athletic Fund.***

**SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS**  
**June 30, 2008**

	<u>Food Service</u>	<u>Athletics</u>	<u>Day Care Programs</u>	<u>Community Education</u>	<u>Bay 3 Television</u>	<u>Combined Total</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ 800				\$ 800
Accounts Receivable	17,205					17,205
Due from Federal Government	15,294					15,294
Due from State of Michigan	29,417					29,417
Inventories	26,782					26,782
Due from other funds	302,470	\$ 24,866	\$ 206,217	\$ -	\$ 57,648	590,401
Total Assets	<u>\$ 391,168</u>	<u>\$ 24,866</u>	<u>\$ 206,217</u>	<u>\$ -</u>	<u>\$ 57,648</u>	<u>\$ 679,899</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 59,571	\$ 5,555	\$ 4,566	\$ -	\$ 68	\$ 69,760
Salaries payable	16,816	15,527				32,343
Payroll taxes	1,286	1,188				2,474
Retirement	2,812	2,596				5,408
Deferred Revenue	21,739					21,739
Total Liabilities	<u>102,224</u>	<u>24,866</u>	<u>4,566</u>	<u>-</u>	<u>68</u>	<u>131,724</u>
<b>FUND BALANCES</b>	<u>288,944</u>	<u>-</u>	<u>\$ 201,651</u>	<u>-</u>	<u>\$ 57,580</u>	<u>548,175</u>
Total Liabilities and Fund Balances	<u>\$ 391,168</u>	<u>\$ 24,866</u>	<u>\$ 206,217</u>	<u>\$ -</u>	<u>\$ 57,648</u>	<u>\$ 679,899</u>

**SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND**  
**ACTUAL - ALL SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2008**

	Food Service			Athletic Fund			Day Care		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>									
Local Sources	\$ 1,334,588	\$ 1,283,109	\$ (51,479)	\$ 209,500	\$ 214,556	\$ 5,056	\$ 946,187	\$ 850,796	\$ (95,391)
State Sources	180,446	161,121	(19,325)						
Federal Sources	1,611,292	1,742,420	131,128						
Total Revenue	3,126,326	3,186,650	60,324	209,500	214,556	5,056	946,187	850,796	(95,391)
<b>EXPENDITURES</b>									
Current:									
Salaries	758,016	785,051	(27,065)	603,645	591,385	12,260	600,165	545,994	134,171
Employee benefits	623,271	638,997	(15,726)	165,555	208,763	(43,208)	220,650	144,618	76,032
Contracted services	174,900	171,836	3,064	214,141	197,779	16,362	28,450	18,152	10,298
Food cost	1,393,475	1,410,972	(17,494)						
Supplies and materials	97,607	89,408	(8,199)	141,368	93,174	48,194	116,741	66,025	50,716
Other	74,310	79,181	(4,871)						
Capital outlay	30,000	28,030	1,970	22,804	16,836	5,968	13,000	10,844	2,156
Total Expenditures	3,151,582	3,213,506	(61,924)	1,147,513	1,107,937	39,576	1,059,206	785,643	273,563
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfer from General Fund				938,013	893,341	(44,672)			
Transfer to Debt Fund									
				938,013	893,341	(44,672)			
<b>EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	(25,256)	(26,856)	(1,600)				(113,019)	65,153	178,172
<b>FUND BALANCES - July 1, 2007</b>	315,800	315,800	-				136,498	136,498	-
<b>FUND BALANCES - June 30, 2008</b>	\$ 290,544	\$ 288,944	\$ (1,600)	\$ -	\$ -	\$ -	\$ 23,479	\$ 201,651	\$ 178,172

**SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND**  
**ACTUAL - ALL SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2008**

Community Education			Bay 3 Television			Combined Total		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$	\$	\$	\$	\$	\$	\$	\$	\$
			62,000	69,369	7,369	2,552,275	2,417,670	(134,405)
						180,446	161,121	(19,325)
						1,611,292	1,742,420	131,128
			62,000	69,369	7,369	4,344,013	4,321,411	(22,602)
			68,340	57,138	11,202	2,110,166	1,979,598	130,568
			29,234	31,045	(1,791)	1,038,930	1,023,423	15,507
			3,000	2,046	954	420,491	389,617	28,714
						1,389,476	1,410,972	(17,494)
			4,360	2,170	2,190	360,016	260,776	99,236
						74,310	79,181	(4,871)
			4,008	454	3,546	89,804	56,164	13,640
			108,894	92,847	15,047	5,467,195	5,199,933	266,302
			31,000	31,000	-	969,013	924,341	(44,672)
			31,000	31,000	-	969,013	924,341	(44,672)
			(15,894)	7,522	23,416	(154,169)	45,619	199,988
			50,058	50,058	-	502,356	502,356	-
\$	\$	\$	\$	\$	\$	\$	\$	\$
			34,164	57,560	23,416	348,187	540,175	199,988

# **School District of the City of Bay City**

## **DEBT SERVICE FUNDS**

**June 30, 2008**

***Debt Service Funds are used to record principal and interest payments on current obligations of the School District such as bonds and loans.***



**DEBT SERVICE FUNDS**  
**COMBINING BALANCE SHEET - ALL DEBT SERVICE FUNDS**  
**June 30, 2008**

	1992 General Obligation Bonds (Including 1997 Refunding)	Durant Limited Obligation Bonds	2000 6,000,000 Non-Voted Resolution Bonds	2001 4,000,000 Non-Voted Resolution Bonds	2003 Bus Loan	2005 School Improvement Bonds	2006 School Improvement Bonds	Combined Total
<b>ASSETS</b>								
Cash and cash equivalents	\$	\$	\$	\$	\$	\$	\$ 736,464	\$ 736,464
Taxes receivable							13,698	13,698
Due from other funds							3,832	3,832
<b>Total Assets</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 753,994</u>	<u>\$ 753,994</u>
<b>LIABILITIES</b>								
Deferred revenue	\$	\$	\$	\$	\$	\$	\$ 13,698	\$ 13,698
							13,698	13,698
<b>FUND BALANCES</b>							740,296	740,296
Total Liabilities and Fund Balances	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 753,994</u>	<u>\$ 753,994</u>

**DEBT SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - ALL DEBT SERVICE FUNDS**  
**For the Year Ended June 30, 2008**

	1992 General Obligation Bonds (including 1997 Refunding)			Durant Limited Obligation Bonds			2000 \$4,000,000 Non-Voted Resolution Bonds			2009 \$4,000,000 Non-Voted Resolution Bonds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>												
Local Sources												
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on discount bonds	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-
State Sources												
Real Property	-	-	-	-	-	-	-	-	-	-	-	-
<b>EXPENDITURES</b>												
Debt Service												
Principal repayment	-	-	-	-	-	-	750,000	750,000	-	500,000	500,000	-
Interest and other fiscal charges	130,209	130,209	-	-	-	-	40,150	40,025	125	40,400	40,275	125
Total Expenditures	130,209	130,209	-	-	-	-	790,150	790,025	125	540,400	540,275	125
<b>OTHER FINANCING SOURCES</b>												
Operating transfer in	-	-	-	-	-	-	790,150	790,025	(125)	540,400	540,275	(125)
<b>EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	(130,209)	(130,209)	-	-	-	-	-	-	-	-	-	-
<b>FUND BALANCES - July 1, 2007</b>	130,209	130,209	-	-	-	-	-	-	-	-	-	-
<b>FUND BALANCES - June 30, 2008</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**DEBT SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - ALL DEBT SERVICE FUNDS**  
**For the Year Ended June 30, 2008**

2003-2005			2005			2006			2008			Combined Total		
Bus Loans			School Improvement Bonds			School Improvement Bonds			Maintenance Vehicle Loan					
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$	\$	\$	\$	\$	\$	\$ 4,376,403	\$ 4,418,371	\$ 41,968	\$	\$	\$ -	\$ 4,376,403	\$ 4,418,371	\$ 41,968
						3,000	19,143	16,143				3,000	19,143	16,143
						50,000	64,952	14,952				50,000	64,952	14,952
						4,429,403	4,502,466	73,063				4,429,403	4,502,466	73,063
						4,429,403	4,502,466	73,063				4,429,403	4,502,466	73,063
361,127	361,127	-	165,000	165,000	-	1,100,000	1,100,000	-	50,777	50,777	-	2,926,904	2,926,904	-
39,314	39,313	1	221,658	221,695	(37)	2,198,525	3,211,545	(13,020)	2,530	2,531	(1)	3,672,166	3,684,993	(12,807)
400,441	400,440	1	386,058	386,095	(37)	4,298,525	4,311,545	(13,020)	53,307	53,308	(1)	6,599,070	6,611,897	(12,807)
400,441	400,440	(1)	386,058	386,095	37				53,307	53,308	(1)	2,170,356	2,170,143	(213)
						130,878	190,921	(60,043)				669	60,712	60,043
						549,375	549,375	-				679,584	679,584	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 660,253	\$ 740,296	\$ (60,043)	\$ -	\$ -	\$ -	\$ 660,253	\$ 740,296	\$ (60,043)

# **School District of the City of Bay City**

## **CAPITAL PROJECT FUNDS**

**June 30, 2008**

***Capital Project Funds are used to account for the receipt and disbursement of monies used for the acquisition of capital assets including equipment.***

**CAPITAL PROJECTS FUNDS**  
**COMBINING BALANCE SHEET - ALL CAPITAL PROJECTS FUNDS**  
**June 30, 2008**

	<b>Voted Project \$69,000,000</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 6,885,162
Investments	35,192,966
Interest receivable	427,526
Total Assets	<u>\$ 42,505,654</u>
<b>LIABILITIES</b>	
Construction payable	\$ 6,736,342
<b>FUND BALANCES:</b>	
Reserve-arbitrage rebate on bond interest	227,829
Unreserved	35,541,483
Total Liabilities and Fund Balance	<u>\$ 42,505,654</u>

**CAPITAL PROJECT FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**ALL CAPITAL PROJECTS FUNDS**  
**For the Year Ended June 30, 2008**

	Voted Project <u>\$69,000,000</u>
<b>REVENUES</b>	
Local Sources:	
Interest	\$ 2,929,962
<b>EXPENDITURES</b>	
Acquisition Costs	
Capital Outlay	<u>28,784,688</u>
Total Expenditures	<u>28,784,688</u>
<b>EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	(25,854,726)
<b>OTHER FINANCING SOURCES (USES)</b>	
Proceeds from Bond Issuance	
Net Change in Fund Balances	<u>(25,854,726)</u>
FUND BALANCES - July 1, 2007	<u>61,624,038</u>
FUND BALANCES - June 30, 2008	<u>\$ 35,769,312</u>

# **School District of the City of Bay City**

## **TRUST AND AGENCY FUND**

**June 30, 2008**

***Trust and Agency Funds are used by the School District to account for assets held by the School District in a trustee or agent capacity. The sole Agency Fund is a custodial fund used to account for the transactions of student organizations and clubs. The Trust Fund is used to account for monies restricted for specific purposes such as student scholarships.***

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**STUDENT ACTIVITY AGENCY FUND**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN ASSETS AND LIABILITIES**  
**For the Year Ended June 30, 2008**

	Due to School Organizations July 1, 2007	Cash Receipts	Cash Disbursements	Due to School Organizations June 30, 2008
<b>ACTIVITY ACCOUNTS</b>				
Auburn Elementary	\$ 18,774	\$ 62,265	\$ 60,643	\$ 20,396
Hampton Elementary	30,238	86,625	83,109	33,754
Jefferson Elementary	4,342	270	253	4,359
Kolb Elementary	26,726	76,178	74,283	28,621
Linsday Elementary	21,855	31,695	35,708	17,842
MacGregor Elementary	12,978	71,158	70,469	13,667
Mackensen Elementary	44,164	63,816	107,100	880
McAlear-Sawden Elementary	19,250	90,535	101,052	8,733
McKinley Technology School	7	-	-	7
Riegel Elementary	2,093	97	-	2,190
Jefferson PPI Program	255	-	-	255
Washington Elementary	11,158	33,753	28,219	16,692
Webster Day Care	(5,114)	67,097	60,633	1,350
Eastside Middle School	956	-	783	173
Handy Middle School	59,335	119,329	122,794	55,870
Western Middle School	38,753	83,580	101,114	21,219
Central High	144,830	246,656	249,844	141,642
Central Auto Shop	24,798	20,667	20,128	25,337
Handy High	1,310	64	-	1,374
Western High	424,884	604,526	562,293	467,117
P.A.T.-Gifted and Talented	5,188	14,667	14,625	5,230
Special Education	2,732	134	720	2,146
Coffee Shop	143	505	455	193
Science Center	10,422	433	7,300	3,555
Science Fair	4,917	5,795	7,733	2,979
Summer Hoops	1,221	1,351	1,693	879
Staff Services	1,141	704	226	1,619
Dow Coming Math/Science Pilot	24,986	667	17,783	7,870
Food Services Administration	1,165	29	1,017	177
Indo Pak Funds	1,002	49	-	1,051
M.S.U. China funds	2,564	133	-	2,697
TI-84 Graphic Calculator Donation	-	7,322	7,322	-
20 Minutes Per Day	956	804	1,721	39
Native American	2,188	1,288	905	2,571
Volunteer Program	558	26	-	584
Maintenance Department	749	30	-	779
Student Insurance Activity	4,514	222	-	4,736
Board of Inservice BCPSSCA	20	-	-	20
Retiree activity Insurance account	7,714	5,533	5,675	7,572
Secondary Education	1,229	60	-	1,289
Special Area Teachers	53	1,640	99	1,594
Alternative Education Program	5,659	17,053	18,411	4,301
Forest Day Care	3,581	3,901	3,541	3,941
Artist in School	-	7	-	7
Community Education-summer leagues	392	211	393	210
Transportation	300	498	542	256
Science Services-Curriculum	11	-	-	11
Unallocated Interest Earned	45,095	126,874	144,646	27,323
<b>Total Activity Accounts</b>	<b>\$ 1,010,092</b>	<b>\$ 1,848,247</b>	<b>\$ 1,913,232</b>	<b>\$ 945,107</b>



**School District of the City of Bay City**

**GENERAL FUND SUMMARIES**

**June 30, 2008**

SCHOOL DISTRICT OF THE CITY OF BAY CITY

GENERAL FUND REVENUE BY SOURCE  
Last Ten Fiscal Years  
(UNAUDITED)

	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
REVENUE:				
Local Sources:				
Property taxes	\$ 10,371,879	\$ 9,982,353	\$ 9,716,070	\$ 9,421,745
Earnings on investments	338,026	380,052	234,536	93,934
Other	<u>2,126,271</u>	<u>3,061,128</u>	<u>3,405,288</u>	<u>3,278,156</u>
Total Local Sources	<u>12,836,176</u>	<u>13,423,533</u>	<u>13,355,894</u>	<u>12,793,835</u>
State Sources:				
State school aid - unrestricted	56,778,341	57,138,500	56,229,900	56,575,983
Restricted grants	<u>3,276,789</u>	<u>3,341,762</u>	<u>3,218,010</u>	<u>2,614,824</u>
Total State Sources	<u>60,055,130</u>	<u>60,480,262</u>	<u>59,447,910</u>	<u>59,190,807</u>
Federal Sources	<u>4,625,044</u>	<u>3,562,077</u>	<u>3,796,310</u>	<u>4,104,364</u>
Total Revenue	<u>\$ 77,516,350</u>	<u>\$ 77,465,872</u>	<u>\$ 76,600,114</u>	<u>\$ 76,089,006</u>

<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>
\$ 8,956,356	\$ 8,763,192	\$ 7,982,256	\$ 7,429,927	\$ 7,451,721	\$ 7,107,578
47,919	131,671	162,437	405,004	332,604	311,385
<u>4,001,577</u>	<u>3,818,911</u>	<u>4,068,886</u>	<u>2,971,630</u>	<u>3,432,715</u>	<u>2,839,963</u>
<u>13,005,852</u>	<u>12,713,774</u>	<u>12,213,579</u>	<u>10,806,561</u>	<u>11,217,040</u>	<u>10,258,926</u>
56,114,096	56,249,164	56,221,834	52,449,579	51,329,803	49,103,684
<u>2,584,473</u>	<u>3,488,378</u>	<u>3,749,180</u>	<u>3,839,279</u>	<u>3,042,019</u>	<u>3,166,584</u>
<u>58,698,569</u>	<u>59,737,542</u>	<u>59,971,014</u>	<u>56,288,858</u>	<u>54,371,822</u>	<u>52,270,268</u>
<u>4,283,035</u>	<u>4,480,643</u>	<u>4,968,547</u>	<u>4,270,303</u>	<u>4,630,113</u>	<u>3,794,995</u>
<u>\$ 75,987,456</u>	<u>\$ 76,931,959</u>	<u>\$ 77,153,140</u>	<u>\$ 71,365,722</u>	<u>\$ 70,218,975</u>	<u>\$ 66,324,189</u>

**SCHOOL DISTRICT OF THE CITY OF BAY CITY**  
**GENERAL FUND EXPENDITURES BY FUNCTION**  
**Last Ten Fiscal Years**  
**(UNAUDITED)**

	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
<b>EXPENDITURES</b>				
Instruction:				
Basic programs	\$ 26,535,037	\$ 26,457,716	\$ 23,871,803	\$ 24,670,184
Added needs	6,675,314	5,768,533	5,793,377	6,470,176
Adult & continuing education	51,524	69,526	70,254	59,573
Employee benefits	13,799,789	13,819,275	13,898,399	13,724,851
Total instruction	<u>47,061,664</u>	<u>46,115,050</u>	<u>43,633,833</u>	<u>44,924,784</u>
Supporting Services:				
Pupil services	2,014,895	1,610,553	1,441,260	2,316,128
Instructional staff	1,763,496	1,828,651	1,656,931	1,642,620
General administration	376,231	371,528	537,538	619,646
School administration	3,445,813	3,228,682	3,388,380	3,431,424
Business services	10,273,870	9,594,367	7,539,011	6,868,872
Central services	1,374,080	1,049,495	4,833,469	4,411,358
Other services	-	-	240,385	219,613
Employee benefits	7,291,958	6,616,464	9,153,272	9,453,409
Total supporting services	<u>26,540,343</u>	<u>24,299,740</u>	<u>28,790,246</u>	<u>28,963,070</u>
Community Services	<u>472,525</u>	<u>634,712</u>	<u>602,193</u>	<u>453,462</u>
Capital Outlay				
Total expenditures	<u>74,074,532</u>	<u>71,049,502</u>	<u>73,026,272</u>	<u>74,341,316</u>
<b>OTHER FINANCING USES</b>	<u>3,708,760</u>	<u>3,663,099</u>	<u>3,412,716</u>	<u>3,176,732</u>
Total expenditures & other financing uses	<u>\$ 77,783,292</u>	<u>\$ 74,712,601</u>	<u>\$ 76,438,988</u>	<u>\$ 77,518,048</u>
Official student enrollment	9,308	9,465	9,582	9,849
Expenditures per student	\$ 8,357	\$ 7,894	\$ 7,977	\$ 7,871

**NOTES:**

Student enrollment is the September FTE count for K-12, special education, alternative school (6-9), alternative high school, and adult education. The District also is required to complete a February head count.

Beginning in 2001-2002, Capital Outlay expenditures have been reclassified to be included within each of the line item expenditures listed above.

2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
\$ 25,139,612	\$ 26,230,738	\$ 25,930,128	\$ 25,142,063	\$ 25,549,889	\$ 24,458,308
5,621,455	6,900,354	7,220,769	6,901,271	6,593,382	5,861,821
76,904	101,193	89,850	93,257	92,117	349,051
12,548,464	14,276,269	12,919,237	12,567,620	11,808,885	10,743,143
43,386,435	47,508,554	46,159,984	44,704,211	44,044,273	41,412,323
3,028,848	1,107,116	1,271,719	1,246,530	1,142,172	1,141,951
1,958,793	2,354,892	2,173,692	2,306,341	1,840,771	2,242,723
567,805	879,264	869,361	1,322,978	1,031,765	445,841
3,550,417	3,915,596	3,988,081	4,041,470	4,127,178	3,813,538
7,114,182	10,508,735	8,964,363	9,634,841	9,328,598	8,813,352
4,350,659	2,216,863	2,099,063	1,540,148	1,485,819	1,625,262
242,833	775,904	906,621	788,012	665,510	
8,418,678	5,680,012	5,412,887	5,310,241	4,532,825	3,823,477
29,232,215	27,438,382	25,685,787	26,190,561	24,154,638	21,906,144
287,053	138,813	262,561	284,583	267,894	164,282
			1,784,459	852,215	1,136,215
72,905,703	75,085,749	72,108,332	72,963,814	69,319,020	64,618,964
3,359,526	3,423,602	3,181,398	2,628,297	1,443,095	882,300
\$ 76,265,229	\$ 78,509,351	\$ 75,289,730	\$ 75,592,111	\$ 70,762,115	\$ 65,501,264
9,820	9,846	9,893	10,016	10,274	10,595
\$ 7,766	\$ 7,974	\$ 7,610	\$ 7,547	\$ 6,887	\$ 6,182

**School District of the City of Bay City**

**PROPERTY TAX SUMMARIES**

**June 30, 2008**

# SCHOOL DISTRICT OF THE CITY OF BAY CITY

## PROPERTY TAX DATA PROPERTY TAX RATES (MILLS) Last Ten Fiscal Years (UNAUDITED)

	2007-08	2006-07	2005-06	2004-05
GENERAL FUND:				
Property Tax Rates (mills):				
County of Bay:				
City of Auburn	18.0000	17.6747	17.9640	18.0000
City of Bay City	18.0000	17.6747	17.9640	18.0000
City of Midland	18.0000	17.6747	17.9640	18.0000
Beaver Township	18.0000	17.6747	17.9640	18.0000
Frankenlust Township	18.0000	17.6747	17.9640	18.0000
Hampton Township	18.0000	17.6747	17.9640	18.0000
Kawkawlin Township	18.0000	17.6747	17.9640	18.0000
Merritt Township	18.0000	17.6747	17.9640	18.0000
Monitor Township	18.0000	17.6747	17.9640	18.0000
Portsmouth Township	18.0000	17.6747	17.9640	18.0000
Williams Township	18.0000	17.6747	17.9640	18.0000
County of Saginaw:				
Buena Vista Township	18.0000	17.6747	17.9640	18.0000
Kochville Township	18.0000	17.6747	17.9640	18.0000
Tittabawassee Township	18.0000	17.6747	17.9640	18.0000
Zitwaukee Township	18.0000	17.6747	17.9640	18.0000
DEBT SERVICE FUND:				
Property Tax Rates (mills):	2.3500	2.3500	1.1000	1.1000

### NOTES:

The 18.0000 mills is levied for operating purposes against all property classified as non-homestead in compliance with school finance reform under the State Aid Act for Michigan.

In 2006-07 the millage was reduced to 17.6747 mills as a result of a Headlee reduction under Article IX, Section 31 of the Michigan Constitution.

In 2007-08, the Headlee reduction was restored through a local school district millage election.

The 18.0000 mills was locally approved through the year 2023.





# SCHOOL DISTRICT OF THE CITY OF BAY CITY

## PROPERTY TAX DATA PROPERTY TAX LEVIES & COLLECTIONS Last Ten Fiscal Years (UNAUDITED)

### CURRENT PROPERTY TAXES RECEIVABLE

	2007-08	2006-07	2005-06	2004-05
GENERAL FUND				
Levy	\$ 10,561,328	\$ 10,006,964	\$ 9,689,515	\$ 9,418,407
Less: Collections through June 30	10,509,665	10,002,637	9,672,966	9,401,174
Write-offs/Adjustments through June 30				
July 1 - Taxes Receivable	<u>\$ 51,663</u>	<u>\$ 4,327</u>	<u>\$ 16,549</u>	<u>\$ 17,233</u>
DEBT SERVICE FUND				
Levy	\$ 4,303,345	\$ 4,146,969	\$ 1,852,261	\$ 1,803,109
Less: Collections through June 30	4,296,966	4,145,326	1,848,685	1,802,166
Write-offs/Adjustments through June 30				
July 1 - Taxes Receivable	<u>\$ 6,379</u>	<u>\$ 1,643</u>	<u>\$ 3,576</u>	<u>\$ 943</u>

### COLLECTIONS THROUGH MARCH 1 EACH YEAR

	2007-08	2006-07	2005-06	2004-05
GENERAL FUND				
Levy	\$ 10,561,328	\$ 10,006,964	\$ 9,689,515	\$ 9,418,407
Collections through March 1	9,560,432	9,493,050	8,957,388	8,760,092
Percentage of Collections to Levy	90.5230%	94.8644%	92.4441%	93.0103%

### COLLECTIONS THROUGH JUNE 30 EACH YEAR

	2006-07	2006-07	2005-06	2004-05
GENERAL FUND				
Levy	\$ 10,561,328	\$ 10,006,964	\$ 9,689,515	\$ 9,418,407
Collections through June 30 (including prior years)	10,509,669	9,963,914	9,646,526	9,287,426
Percentage of Collections to Levy	99.5109%	99.5698%	99.5563%	98.6093%

2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
\$ 3,543,166,300	\$ 3,348,169,952	\$ 3,132,515,902	\$ 2,918,037,496	\$ 2,388,655,344	\$ 2,271,457,096
\$ 43,835,440	\$ 41,962,117	\$ 40,095,936	\$ 37,628,060	\$ 34,641,644	\$ 32,035,020
548,441,138	533,956,408	504,334,948	484,088,562	465,056,743	449,211,768
4,517,500	4,453,200	4,249,300	4,138,600	4,026,900	4,226,200
54,730,602	51,768,673	48,298,940	44,928,575	43,207,912	40,628,845
99,722,258	94,612,478	85,476,617	78,502,100	72,572,020	69,484,658
94,228,274	92,536,983	88,734,263	81,460,907	76,386,379	73,272,078
91,883,194	88,132,615	83,144,280	77,185,719	73,681,077	70,932,763
29,066,872	27,985,205	26,752,405	25,490,962	24,866,395	24,286,992
283,061,040	266,892,502	245,395,998	223,872,122	215,961,736	198,710,003
72,465,404	70,251,333	66,741,313	63,127,227	61,455,598	58,840,888
154,183,222	149,765,745	127,420,683	117,147,180	111,845,270	103,991,195
3,945,254	3,872,994	3,760,811	3,651,278	3,768,519	3,485,508
2,730,888	2,563,736	2,403,732	2,264,692	2,152,575	2,085,586
303,742	299,236	294,125	280,378	269,242	273,658
5,002,815	5,112,848	4,963,269	4,450,179	4,435,662	4,263,387
\$ 1,488,117,643	\$ 1,434,166,073	\$ 1,332,066,620	\$ 1,248,196,541	\$ 1,194,327,672	\$ 1,135,728,549
\$ 1,771,583,150	\$ 1,674,084,976	\$ 1,566,257,951	\$ 1,459,018,748	\$ 1,359,702,668	\$ 1,264,776,593

# SCHOOL DISTRICT OF THE CITY OF BAY CITY

## PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS Last Ten Fiscal Years (UNAUDITED)

	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
School Operating & Debt	20.3500	20.0247	19.0640	19.1000
Bay-Arenac Intermediate School District	4.9233	4.9233	4.9425	4.9458
City of Auburn	16.0000	16.0000	16.0000	16.0000
City of Bay City	19.5503	19.4532	20.0505	20.5505
City of Midland	12.2400	12.1000	9.7900	9.8700
County of Bay	10.8096	9.71	10.9338	11.0326
County of Saginaw	7.5349	7.5265	7.5362	7.6343
Delta College	2.0427	2.0427	2.0427	2.0427
Beaver Township	4.7183	4.7646	4.6388	4.6520
Buena Vista Township	11.9618	11.9618	7.9618	8.8607
Frankenlust Township	1.8543	1.8543	1.8733	1.8206
Hampton Township	5.6500	5.6500	5.6500	5.6500
Kawkawlin Township	2.1156	2.1156	2.1306	2.1444
Kochville Township	0.9229	0.9766	1.9766	0.9766
Merritt Township	5.5519	6.0545	5.0595	5.0483
Monitor Township	1.9784	1.9801	1.2319	1.2426
Portsmouth Township	2.4000	2.4000	2.4000	2.1815
Tittabawassee Township	4.0584	4.0563	4.0613	4.0807
Williams Township	4.4000	4.4000	4.4000	4.4000
Zilwaukee Township	5.2436	5.2436	8.2244	4.9744

### NOTES:

The 2007-08 property tax rate for the School District of the City of Bay City includes 18.0000 mills levied on all non-homestead property for general operation and 2.3500 mills is levied on all property for bond debt.

Property tax millage rates obtained from "Certified Tax Rate Reports" prepared by Bay & Saginaw County Equalization Departments.

<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>
19.1000	19.2000	19.2000	19.5000	19.5000	19.5000
4.9568	4.9594	4.9594	4.9594	4.9656	4.9656
16.0000	16.0000	16.0000	16.0000	14.0000	14.0000
21.2027	21.4000	21.4000	21.7500	23.8700	23.9600
12.9000	11.6700	12.0000	12.4800	12.1200	11.6000
10.9486	10.9486	10.9480	10.9478	9.9476	9.9499
7.2352	7.2022	7.2067	6.6380	6.6809	6.5637
2.5427	2.5427	2.5427	2.0427	2.0427	2.0427
4.6921	4.7720	3.8710	3.7516	3.8274	3.8606
8.9618	8.9618	8.9618	8.9465	8.9465	8.9465
1.8841	1.8272	1.8847	1.9359	1.9343	1.9573
5.6500	5.5600	5.5500	5.5500	5.5500	5.5000
1.1545	1.1636	1.1717	1.1791	1.1915	1.2010
1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
5.1426	5.1775	5.1922	5.2032	4.2405	4.2435
1.2555	1.2621	1.2621	1.2653	1.6126	1.6763
2.2344	2.2910	2.3731	2.4672	2.5271	2.5973
3.2101	4.1479	4.1769	4.8124	4.2363	4.3080
4.4000	4.4000	4.4000	4.4000	4.4000	4.4000
3.9808	4.9744	6.2436	8.2436	8.2434	8.2436

**School District of the City of Bay City**

**DEBT INFORMATION**

**June 30, 2008**

**SCHOOL DISTRICT OF THE CITY OF BAY CITY**

**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE  
AND NET BONDED DEBT PER CAPITA  
Last Ten Fiscal Years  
(UNAUDITED)**

FISCAL YEAR	(A) POPULATION BAY COUNTY (ESTIMATED)	(B) TAXABLE VALUATION (IN 1,000'S)	GROSS BONDED DEBT	DEBT SERVICE MONIES AVAILABLE	NET BONDED DEBT	RATIO OF NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
2007-08	107,517	\$ 1,787,583	\$ 71,096,100	\$ 736,464	\$ 70,359,636	3.94%	\$ 654.40
2006-07	108,390	\$ 1,725,176	\$ 73,005,000	\$ 679,584	\$ 72,325,416	4.19%	\$ 667.27
2005-06	109,029	\$ 1,634,671	\$ 72,039,467	\$ 771,660	\$ 71,267,807	4.36%	\$ 653.66
2004-05	109,480	\$ 1,563,673	\$ 15,190,009	\$ 555,769	\$ 14,634,240	0.94%	\$ 133.67
2003-04	109,532	\$ 1,488,117	\$ 12,297,640	\$ 478,838	\$ 11,818,802	0.79%	\$ 107.90
2002-03	109,733	\$ 1,434,166	\$ 15,328,754	\$ 513,962	\$ 14,814,792	1.03%	\$ 135.01
2001-02	109,725	\$ 1,332,066	\$ 16,789,755	\$ 545,963	\$ 16,243,792	1.22%	\$ 148.04
2000-01	110,157	\$ 1,248,196	\$ 19,443,159	\$ 525,478	\$ 18,917,681	1.52%	\$ 171.73
1999-00	109,514	\$ 1,194,328	\$ 16,365,000	\$ 387,134	\$ 15,977,866	1.34%	\$ 145.90
1998-99	110,400	\$ 1,135,728	\$ 11,610,000	\$ 305,302	\$ 11,304,698	1.00%	\$ 102.40

**NOTES:**

(A) Population data estimate from U.S Census Bureau American FactFinder for Bay County, Michigan.

(B) Taxable valuation obtained from Michigan Department of Education as provided by Bay and Saginaw County Treasurers Report 4410.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2008

(UNAUDITED)

2007 State Equalized Value		\$ 2,063,656,024
Legal Debt Limit (\$1,989,669,550 x 15%)*		309,548,404
Bond Debt Outstanding	\$ 71,096,100	
Less Bonds not subject to the Debt Limit*	<u>64,325,000</u>	
Total Subject to Debt Limit		<u>6,771,100</u>
Additional Debt Which Could Be Legally Incurred		<u><u>\$ 302,777,304</u></u>

NOTE:

\*Section 1351(3) of Act 451, Public Acts of Michigan, 1976, as amended, provides that bonds not included in the computation of the legal debt margin are (1) any bond qualified under Article IX, Section 16, of the Michigan Constitution of 1963, and (2) deficit budget bonds authorized under Section 1356. In addition, Section 605 of Act 34, Public Acts of Michigan, 2001, as amended, provides, in relevant part, that debt evidenced by a refunding security shall not be deemed to be within any statutory or charter limitation of outstanding debt limit.

**SCHOOL DISTRICT OF THE CITY OF BAY CITY**  
**SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT**  
**June 30, 2008**  
**(UNAUDITED)**

	TOTAL DEBT OUTSTANDING	PERCENT APPLICABLE TO SCHOOL DISTRICT	AMOUNT APPLICABLE TO SCHOOL DISTRICT	DEBT PRINCIPAL PER CAPITA (POP 108,390)	PERCENT TAXABLE VALUE
<b>DIRECT DEBT:</b>					
1999 Durant Limited Obligation Bonds	\$ 606,100	100.00%	\$ 606,100	6	0.034%
2001 Building and Site Bonds (GONQ)	500,000	100.00%	500,000	5	0.028%
2002 Bus Loan	225,998	100.00%	225,998	2	0.013%
2004 - 2008 Technology Capital Lease Obligations	1,531,765	100.00%	1,531,765	14	0.086%
2005 School Improvement Bonds (GONQ)	5,665,000	100.00%	5,665,000	53	0.317%
2005 Bus Loan	462,794	100.00%	462,794	4	0.026%
2006 School Building and Site Bonds (UTQ)	64,325,000	100.00%	64,325,000	598	3.598%
General obligation bonds and note payable	<u>\$ 73,316,657</u>		<u>\$ 73,316,657</u>	<u>682</u>	<u>4.101%</u>
<b>OVERLAPPING DEBT (B):</b>					
City of Auburn	367,600	99.84%	367,000	3	0.021%
City of Bay City	68,607,000	99.75%	68,435,483	637	3.828%
City of Midland	21,026,750	0.19%	39,951	0	0.002%
County of Bay	24,468,856	59.05%	14,448,859	134	0.808%
County of Saginaw	55,475,369	0.26%	144,236	1	0.008%
Beaver Township	400,000	97.03%	388,120	4	0.022%
Buena Vista Township	7,111,000	1.91%	135,820	1	0.008%
Frankenlust Township	3,417,060	95.35%	3,258,167	30	0.182%
Hampton Township	1,805,000	23.57%	430,132	4	0.024%
Kawkawlin Township	1,802,020	81.78%	1,473,692	14	0.082%
Kochville Township	619,746	1.80%	11,155	0	0.001%
Merritt Township	2,840,692	71.10%	2,019,732	19	0.113%
Monitor Township	427,380	100.00%	427,380	4	0.024%
Portsmouth Township	2,928,980	100.00%	2,928,980	27	0.164%
Tittabawassee Township	972,907	0.14%	1,362	0	0.000%
Williams Township	392,500	100.00%	392,500	4	0.022%
Zilwaukee Township	0	100.00%	0	0	0.000%
Bay-Arenac Intermediate School District	3,535,000	51.00%	1,802,850	17	0.101%
Delta College	0	14.45%	0	0	0.000%
<b>Total overlapping debt</b>	<u>196,197,860</u>		<u>96,705,419</u>	<u>899</u>	<u>5.410%</u>
<b>Total Direct &amp; Overlapping Debt</b>	<u>\$ 269,514,517</u>		<u>\$ 170,022,076</u>	<u>1,581</u>	<u>9.511%</u>

**NOTE:**

Overlapping debt amounts provided by the Municipal Advisory Council of Michigan.



SCHOOL DISTRICT OF THE CITY OF BAY CITY

RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED DEBT  
TO TOTAL GENERAL FUND EXPENDITURES AND USES

Last Ten Fiscal Years  
(UNAUDITED)

FISCAL YEAR	TOTAL EXPENDITURES AND USES				RATIO DEBT SERVICE TO GENERAL FUND EXPENDITURES AND USES
	DEBT SERVICE FUNDS			GENERAL FUND	
	PRINCIPAL	INTEREST	TOTAL		
2007-08	\$ 2,926,904	\$ 3,528,651	\$ 6,455,555	\$ 77,783,292	8.3%
2006-07	\$ 3,343,575	\$ 3,220,915	\$ 6,564,490	\$ 74,712,601	8.8%
2005-06	\$ 3,438,026	\$ 750,286	\$ 4,188,312	\$ 76,438,988	5.5%
2004-05	\$ 2,677,631	\$ 536,121	\$ 3,213,752	\$ 77,510,234	4.1%
2003-04	\$ 3,031,114	\$ 648,035	\$ 3,679,149	\$ 76,265,229	4.8%
2002-03	\$ 2,710,000	\$ 728,594	\$ 3,438,594	\$ 78,509,351	4.4%
2001-02	\$ 2,653,404	\$ 950,919	\$ 3,604,323	\$ 75,289,730	4.8%
2000-01	\$ 2,127,395	\$ 843,192	\$ 2,970,587	\$ 75,592,111	3.9%
1999-00	\$ 1,366,663	\$ 629,126	\$ 1,995,789	\$ 70,762,118	2.8%
1998-99	\$ 1,291,581	\$ 656,752	\$ 1,948,333	\$ 65,501,264	3.0%

# **School District of the City of Bay City**

## **GENERAL INFORMATION**

**June 30, 2008**

**SCHOOL DISTRICT OF THE CITY OF BAY CITY**  
**DEMOGRAPHIC STATISTICS - COUNTY OF BAY**  
**Last Ten Years**  
**(UNAUDITED)**

CALENDAR YEAR	(A) NUMBER OF HOUSEHOLDS	(B) POPULATION	(A) EFFECTIVE BUYING INCOME	(A) PER CAPITA INCOME	<u>0-17</u>
2007	44,961	107,517	\$ 2,290,864,719	\$ 21,307	22.6%
2006	43,930	108,390	\$ 2,349,461,640	\$ 21,676	23.3%
2005	44,300	109,029	\$ 1,897,758,774	\$ 17,406	23.0%
2004	44,000	109,480	\$ 1,842,329,440	\$ 16,828	23.5%
2003	44,500	109,532	\$ 1,884,388,528	\$ 17,204	23.7%
2002	44,100	109,733	\$ 1,876,544,033	\$ 17,101	25.9%
2001	42,400	109,725	\$ 1,814,083,425	\$ 16,533	25.7%
2000	42,200	110,157	\$ 1,744,666,566	\$ 15,838	26.1%
1999	42,400	109,514	\$ 1,659,246,614	\$ 15,151	26.0%
1998	42,500	110,400	\$ 1,649,486,400	\$ 14,941	26.4%

(A) Data obtained from U.S. Census Bureau, American Factfinder. These totals are for the entire Bay County area.

(B) Data obtained from U.S. Census Bureau, American Factfinder - Population Finder. These totals are for the entire Bay County area.

(C) Data obtained from U.S. Census Bureau, American Factfinder, Age and Sex, 2006 American Community Survey.  
These totals are for the entire Bay County area.

(D) Annual unemployment provided by Michigan Labor Market Information Data Explorer

(C) POPULATION STATISTICS BY AGE GROUP *				(D) UNEMPLOYMENT RATE
18-24	25-34	35-49	65 +	
8.8%	11.3%	21.5%	35.8%	6.7%
8.9%	11.7%	22.1%	34.0%	6.9%
9.2%	11.3%	22.3%	34.2%	7.0%
9.0%	11.3%	22.9%	33.3%	7.5%
8.9%	11.3%	22.8%	33.3%	7.5%
8.9%	12.0%	23.0%	30.2%	6.6%
8.0%	12.8%	23.6%	29.9%	5.3%
8.0%	12.8%	23.7%	29.4%	4.0%
7.8%	13.8%	23.9%	28.5%	4.3%
7.9%	13.9%	23.7%	28.1%	4.5%

**SCHOOL DISTRICT OF THE CITY OF BAY CITY**  
**PROPERTY VALUE AND CONSTRUCTION TRENDS - COUNTY OF BAY**  
**Last Ten Fiscal Years**  
**(UNAUDITED)**

CALENDAR YEAR			(B)	
	(A) REAL	(A) PERSONAL	ANNUAL CONSTRUCTION	
			RESIDENTIAL	
			NUMBER OF UNITS	VALUE
2007	\$ 1,616,146,894	\$ 171,435,870	172	\$ 19,420,436
2006	\$ 1,554,784,074	\$ 170,391,555	213	\$ 29,924,387
2005	\$ 1,467,116,270	\$ 166,762,888	228	\$ 52,555,721
2004	\$ 1,402,996,333	\$ 160,676,539	308	\$ 34,414,810
2003	\$ 1,330,767,178	\$ 157,350,465	390	\$ 58,556,955
2002	\$ (156,523,804)	\$ 156,523,804	250	\$ 37,732,055
2001	\$ 1,168,177,127	\$ 163,889,493	262	\$ 39,858,382
2000	\$ 1,088,410,498	\$ 159,786,043	186	\$ 28,066,263
1999	\$ 1,046,915,404	\$ 147,412,268	381	\$ 39,983,629
1998	\$ 993,999,449	\$ 141,729,100	255	\$ 26,347,352

(A) Taxable valuation data obtained from Bay County Equalization Department and Saginaw County Equalization Department use Reports L-4028 and L-4029 for 2007.

(B) Annual residential construction in Bay County that are part of the School District. Data provided by U.S. Census Bureau 2007 Building Permits.

# SCHOOL DISTRICT OF THE CITY OF BAY CITY

## TAXABLE VALUATION DATA Property Tax Values at January 1, 2008 (UNAUDITED)

### 2007 TAXABLE VALUE BY USE:

	TAXABLE VALUE	% OF TOTAL TAXABLE VALUE
Agricultural	\$ 123,893,052	6.93%
Commercial	233,419,876	13.06%
Developmental	821,826	0.05%
Industrial	73,378,716	4.10%
Personal	171,435,870	9.59%
Residential	1,184,993,943	66.29%
Less TIFA Captured Values	(360,519)	-0.02%
<b>TOTAL</b>	<b>\$ 1,787,582,764</b>	<b>100.00%</b>

### LARGEST TAXPAYERS:

Name of Taxpayer	Product/Service	2008 Valuations		
		Taxable	IFT	Total
General Motors Corporation	transmission components	\$ 80,072,450	\$ -	\$ 80,072,450
Dow Corning Corporation	headquarters & research	55,602,511	12,862,039	68,464,550
Consumers Energy	utility	22,131,888	-	-
Monitor Sugar Company	processed sugar	21,191,918	7,496,736	28,688,654
Meijer/Goodwill Industries	Retail stores	10,782,462	-	10,782,462
The Herald Company, Inc.	Newspaper publishing	9,964,318	-	9,964,318
SC Johnson & Sons Inc.	plastic bags & film wrap	8,364,126	8,265,822	16,629,948
East Bay Village Apartments	Apartments	3,256,302	-	3,256,302
Enbridge Energy	utility	3,128,515	-	3,128,515
Wenonah Park Properties	Doubletree Hotel	2,979,050	-	2,979,050
<b>TOTALS</b>		<b>\$ 217,473,540</b>	<b>\$ 28,624,597</b>	<b>\$ 223,966,249</b>

Percent of 2007 Taxable Value (\$1,787,582,764) 12.17%

NOTE: Taxable value by use data obtained from Bay County Equalization Department and Saginaw County Equalization Department used for Reports L-4028 and L-4029 for 2008.

# SCHOOL DISTRICT OF THE CITY OF BAY CITY

## SUMMARY OF PROPERTY, BUILDINGS, EQUIPMENT AND VEHICLES June 30, 2008 (UNAUDITED)

PROPERTY NAME	LAND	LAND IMPROVEMENTS	BUILDINGS	MACHINERY & EQUIPMENT
Auburn Elementary	\$ 31,571	\$ 99,300	\$ 4,426,152	\$ 95,513
Forest Day Care	10,557	32,100	282,245	64,500
Hampton Elementary	21,595	30,300	6,146,594	290,005
Jefferson Elementary	30,304	38,000	355,309	35,321
Kolb Elementary	123,163	189,100	1,012,500	321,947
Linsday Elementary	45,985	59,100	1,071,383	220,752
MacGregor Elementary	109,488	55,700	1,027,186	267,531
Mackensen Elementary	16,945	79,700	607,200	191,675
McAlear-Sawden Elementary	14,128	92,500	1,002,330	545,831
McKinley Center	17,298	377,100	351,982	178,660
Riegel Elementary	17,554	48,000	679,602	99,847
Washington Elementary	-	34,900	1,409,558	342,700
Webster Elementary - Day Care	2,022	47,500	264,317	4,800
Wenona Alternative	12,082	16,500	453,616	148,049
Eastside Middle School	17,356	77,800	646,232	208,542
Handy Middle School	96,080	330,500	2,627,029	596,654
Central High School	102,375	1,694,534	3,486,334	951,647
Western High & Middle School	88,554	708,500	7,979,951	1,107,532
Baxman (Maintenance)	4,113	43,900	234,643	175,996
Dorland (Administration)	7,117	43,100	566,035	696,841
Transportation	33,758	-	169,900	32,533
Trombley (Partially Leased)	8,071	44,100	424,105	5,642
Warehouse	-	-	-	-
Capital Equipment Leases:				
HP Computers - All Properties (2005-06)	-	-	-	533,114
HP Computers - All Properties (2006-07)	-	-	-	854,020
HP Computers - All Properties (2008-09)	-	-	-	498,750
Dell Computers - All Properties(2003-04)	-	-	-	1,261,272
TOTAL	\$ 810,116	\$ 4,142,234	\$ 35,224,203	\$ 9,729,674

### PROPERTY ACCOUNTING SUMMARY

	ORIGINAL COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE June 30, 2006
Land	\$ 810,116	\$ -	\$ 810,116
Land Improvements	4,142,234	2,817,731	1,324,503
Buildings	35,224,203	15,445,698	19,778,505
Machinery & Equipment	9,729,674	8,060,340	1,669,334
Vehicles	654,856	513,043	141,813
Buses	4,252,315	3,326,208	926,107
Bond Construction in Progress	36,421,974	-	36,421,974
TOTAL	\$ 91,235,372	\$ 30,163,020	\$ 61,072,352

		June 30, 2008	
VEHICLES	BUSES	ACCUMULATED DEPRECIATION	NET BOOK VALUE
\$ -	\$ -	\$ 975,554	\$ 3,676,982
-	-	274,315	115,087
-	-	1,401,269	5,087,225
-	-	299,445	159,489
-	-	1,129,214	517,496
-	-	855,166	542,054
-	-	919,293	540,612
-	-	693,426	202,094
-	-	1,235,137	419,652
-	-	670,168	254,872
-	-	534,982	310,021
-	-	1,327,200	459,958
-	-	204,825	113,814
-	-	431,713	198,534
-	-	616,163	333,767
-	-	2,121,978	1,528,285
1,750	-	3,405,129	2,831,511
-	-	5,815,489	4,069,048
647,906	-	786,643	319,915
-	-	1,022,746	290,347
5,200	4,252,315	3,459,297	1,034,409
-	-	295,845	186,073
-	-	-	-
-	-	213,246	319,868
-	-	213,505	640,515
-	-	-	498,750
-	-	1,261,272	-
<u>\$ 654,856</u>	<u>\$ 4,252,315</u>	<u>\$ 30,163,020</u>	<u>\$ 24,650,378</u>



# SCHOOL DISTRICT OF THE CITY OF BAY CITY

## SUMMARY OF OWNED BUILDINGS AND SITES

June 30, 2008

(UNAUDITED)

BUILDING AND SITES	YEAR BUILT	STORIES	TYPE	SQUARE FOOTAGE	ACREAGE	NUMBER OF CLASSROOMS
<b>INSTRUCTIONAL:</b>						
<b>Elementary (K-5):</b>						
Auburn	1956	1	Brick	30,498	5.59	15
Forest (Day Care & Kindergarten)*	1956	1	Brick	12,600	30.00	2
Hampton	1950	1	Brick	32,000	41.00	18
Kolb	1956	1	Brick	58,000	20.03	25
Linsday	1951	1	Brick	41,310	8.10	19
MacGregor	1951	1	Brick	54,683	19.13	26
Mackensen	1955	1	Brick	37,210	6.08	13
McAlear-Sawden	1960	1	Brick	48,480	15.00	26
Washington	1960	2	Brick	77,378	5.45	28
<b>Middle Schools and High Schools:</b>						
Handy Middle School	1923	3	Brick	190,074	18.65	72
Central High School	1922	3	Brick	221,293	21.59	77
Western High & Western Middle School	1973	2	Brick	246,034	53.95	82
Wenona Center (Alternative High School)	1967	1	Brick	24,700	4.80	14
Total Instructional				<u>1,074,260</u>	<u>249.37</u>	<u>417</u>
<b>NON-INSTRUCTIONAL:</b>						
Baxman (Maintenance)	1950	1	Brick	16,538	3.00	
Dorland (Administration)	1951	2	Brick	30,975	1.66	
Jefferson (Leased to BAISD)	1959	1	Brick	17,200	2.28	8
McKinley Center (Technology)	1963	1	Brick	20,210	2.51	
Transportation	1970	2	Brick	8,500	21.00	
Webster (Day Care Program)	1964	1	Brick	10,250	2.00	
<b>OTHER:</b>						
Riegel (Vacant)	1970	1	Brick	26,400	1.98	13
Trombley (Vacant)	1952	1	Brick	20,600	1.38	1
Wenona (Vacant)	1962	1	Brick	20,216	1.76	11
Total Non-Instructional & Other				<u>170,889</u>	<u>37.57</u>	

\*Forest student count is kindergarten and young fives only. Forest day care enrollment is not included.

# SUMMARY DECLARATION OF COVERAGE

Middle Cities Risk Management Trust  
826 Municipal Way, Lansing, MI 48917  
Phone (517) 492-1380

Memorandum #: MCRMT 070107      Inception Date: 07/01/07      Expiration Date: 06/30/08

Name and address of member:      BAY CITY PUBLIC SCHOOLS  
910 N. WALNUT  
BAY CITY, MI 48706

This declarations page summarizes the risk financing solutions effected for the named member. Refer to each Section of the detailed BASICS® Memorandum of Coverage for specific details of coverage.

Risk financing solutions are specifically relative to member risk exposures and should be modified as exposures change.

2007-2008 CONTRIBUTIONS      \$ 441,670.00

COVERAGE A - PROPERTY	Section 1: Building(s) Contents, Mobile Equipment, Glass, Auto, Physical Damage, EDP	\$401,250,000
	Section 2: Crime, Monies & Securities, Employee Dishonesty & Unfaithful Performance	\$1,000,000
	Section 3: Time Element & Business Interruption	Included
	<i>Deductible Section 1, 2 and 3</i>	\$1,000
FLOOD & EARTHQUAKE COVERAGE	Flood - Zone "A" locations	\$10,000,000
	Flood - All other locations	\$25,000,000
	Earthquake	\$25,000,000
	<i>Deductible</i>	\$1,000
BOILER & MACHINERY	Comprehensive Coverage - including production machines & public utility objects, State inspections	\$50,000,000
	Service Interruption Waiting Period	24 hours
	<i>Direct Damage Deductible</i>	\$1,000
COVERAGE B - COMMERCIAL GENERAL LIABILITY	Bodily Injury & Property Damage Liability	\$1,000,000
	Personal Injury Liability	per occurrence
	Sports Participation Liability	\$3,000,000
	Security & Law Enforcement Liability	aggregate
	Employee Benefit Liability	
COVERAGE C - FLEET	Automobile Liability	\$1,000,000
	Michigan No-Fault Coverage	per occurrence
	Garage Liability & Medical Payment	\$3,000,000
	Garage Keepers Liability and Other Autos in Our Care	aggregate
	Under/Uninsured Motorist Liability	
SCHOOL BOARD LEGAL LIABILITY	Coverage - Each Occurrence	\$1,000,000
	<i>*Deductible - Non-EPLI</i>	\$15,000
	<i>*Deductible - EPLI</i>	\$50,000
UMBRELLA	General Liability, Fleet	\$10,000,000
	<i>*School Board Legal Liability</i>	\$4,000,000

*\*Member-specific limits and/or deductibles.*

**SCHOOL DISTRICT OF THE CITY OF BAY CITY**

**SICK LEAVE DATA**

June 30, 2008

(UNAUDITED)

GROUP	MAXIMUM DAYS ADVANCED PER YEAR	MAXIMUM DAYS PAID	AMOUNT PAID PER ELIGIBLE DAY ACCUMULATED	PAYOUT PROVISIONS
Principals	14	Unlimited	Daily rate Step 1 AB Salary Schedule for first 138 days. 1/2 daily rate for remaining days	Age 55 or older or after 15 years of service with District paid for each accumulated day
Bus Drivers	12	96	Daily rate x number of eligible days	Age 50 or older (or death) and 10 or more years of service with District paid for each day accumulated up to a maximum of \$3,500.
Teachers	14	Unlimited	Daily rate Step 1 AB Salary + \$20/day Schedule for first 96 days. 1/2 daily rate + \$20/day for remaining days	Age 55 or older or after 15 years of service with District paid for each accumulated day
Custodians	16	Unlimited	Daily rate x number of eligible days	Retirement provisions under MPSERS paid for each day accumulated up to maximum of \$4,000.
Food Service	1 day earned for each 15 days worked	Unlimited	Daily rate x number of eligible days up to 96 days; 1/2 daily rate for the remainder	Retirement provisions under MPSERS and age 50 or older and 10 years or more with District paid up to a maximum of 96 days.
Mechanics	14 if hired prior to July 1, 1990 - 12 if hired after 1990	Unlimited	Hired before 10-11-01: Daily rate x number of eligible days up to 96 days; 1/2 daily rate for remainder; If hired after 10-11-01 \$70.00 per day	After 10 years and retirement provisions under MPSERS paid for each day accumulated up to a maximum of \$30,000. If hired after 10-11-01 maximum of \$20,000.
Office Associates and Para- Professionals	12	Unlimited	Daily rate x number of eligible days; up to 96 days. 1/2 daily rate for the remainder	After 10 years and retirement provisions under MPSERS
Central Office Administrators	14	Unlimited	Daily rate step 1AB salary schedule for 1st 138 days; 1/2 daily for the remainder	After 3 years of service
Supervisors	12	Unlimited	Base daily rate x balance over 40 days up to \$4,500 maximum	After 15 years and retirement provisions under MPSERS to maximum of \$4,500

## SCHOOL DISTRICT OF THE CITY OF BAY CITY

### INVESTMENT POLICY AND DATA (Revised July 11, 2006) (UNAUDITED)

#### Section 1. PURPOSE:

The purpose of this Policy is to set forth the investment objectives and parameters for the management of public funds of the School District of the City of Bay City. This investment policy is designed to safeguard funds on behalf of the District, to assure the availability of operating and capital funds when needed, and provide an investment return competitive with comparable funds and financial market indices.

#### Section 2. SCOPE:

In accordance with The Revised School Code of Michigan, Act 451 380.622, 380.1221 and 380.1223, this investment policy applies to all cash and investments held or controlled by the Board on behalf of the District. This policy does not apply to funds related to the issuance of debt where there are other indentures in effect for such funds. Additionally, any future revenues, which have statutory investment requirements conflicting with this Investment Policy and funds held or controlled by Federal or State agencies (e.g., Department of Revenue), are not subject to the provisions of this policy.

#### Section 3. INVESTMENT OBJECTIVES:

The primary objectives, in priority order, of investment activities shall be safety, liquidity and yield.

##### A. Safety of Principal

The foremost objective of this investment program is the safety of the principal of funds. Investment transactions shall be undertaken in a manner to ensure the preservation of capital in the overall portfolio. The objective will be to minimize credit risk and interest rate risk.

##### i. Credit Risk (Custodial Credit Risk and Concentration Credit Risk)

The District will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in Section 9 of this Investment Policy; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business in accordance with Section 7 of this Investment Policy.

The District will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

##### ii. Investment Rate Risk

The District will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

##### iii. Foreign Currency Risk

The District is not authorized to invest in investments which have this type of risk.

## **B. Maintenance of Liquidity**

The funds shall be managed such that they are available to meet reasonably anticipated cash flow requirements.

## **C. Yield/Return on Investment**

Investment portfolios shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. It is understood that return on investment is of secondary importance when compared to the safety and liquidity objectives described above.

## **Section 4. MANAGEMENT OF INVESTMENTS:**

The Board shall establish as its Investment Officer, the Director of Finance and Accounting to oversee the day-to-day management of District investments. The Investment Officer shall be responsible for the transferring of appropriate funds to affect investment transactions, for the investment of operating funds, operating reserves funds, and bond proceeds, consistent with this policy and actions of the Board. Should the Board elect to select an outside investment advisor, such advisor or firm must be registered under the Investment Advisor's Act of 1940.

## **Section 5. STANDARDS OF PRUDENCE:**

The standard of prudence to be used by the Investment Officer shall be the "Prudent Person" standard and shall be applied in the context of managing the overall investment program. The Prudent Person standard states:

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment."

## **Section 6. ETHICS AND CONFLICTS OF INTEREST:**

The Investment Officer shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair one's ability to make impartial investment decisions. Also, the Investment Officer shall disclose to the Board any material financial interests in Qualified Institutions that conduct business with the Board or the District, and they shall further disclose any material personal financial/investment positions that could be related to the performance of the District's investment program.

## **Section 7. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS:**

Only firms meeting one of the following requirements shall be eligible to serve as Authorized Institutions:

- A. The firm must comply with all of the following requirements.
  - i. Primary and regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule);
  - ii. Capital of no less than \$10,000,000;
  - iii. Registered as a dealer under the Securities Exchange Act of 1934;
  - iv. A member of the National Association of Securities Dealers (NASD);
  - v. Registered to sell securities in Michigan; and
  - vi. The firm and assigned broker have been engaged in the business of effecting transactions in U.S. government and agency obligations for at least five (5) consecutive years; or,

- B. Public Depositories qualified in accordance with MCL 380.1221, The Revised School Code of Michigan.

All brokers, dealers and other financial institutions deemed to be Authorized Institutions shall be provided with current copies of this investment policy and shall provide in return to the Board, certification of having read, understood and agreement to comply with this investment policy.

**Section 8. COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS:**

The Investment Officer shall obtain bids from at least two (2) brokers or financial institutions on all purchases of investment instruments on the secondary market. Overnight sweep investment instruments shall not be subject to this section.

**Section 9. AUTHORIZED INVESTMENTS AND PORTFOLIO COMPOSITION:**

Investments and Depositories are restricted to those complying with MCL 380.622, 380.1221 and 380.1223. These include:

- A. United States Government Securities.
- B. United States Government Agencies.
- C. Federal Instrumentalities (United States Government-Sponsored Enterprises).
- D. Certificates of Deposit.
- E. Repurchase Agreements.
- F. Commercial Paper.
- G. Bankers' Acceptances.
- H. Registered Investment Companies (Money Market Mutual Funds).
- I. Investment pools, as authorized by the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118, composed entirely of instruments that are legal for direct investment by an intermediate school district.

**Section 10. POLICY CONSIDERATIONS:**

A. Any investment held at the time of the implementation of this policy that meets the requirements of MCL 380.622, 380.1221, and 380.1223 but does not meet the guidelines of this policy, shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

B. Amendments.

This policy shall be reviewed from time to time. The District Board of Education must adopt any changes to this policy.

The data presented below measures earnings against funds available for investment in the General Fund for the year ended June 30, 2007.

Average available cash (computed from actual monthly cash balances)	\$ 7,456,369
General Fund interest income	\$ 380,051
Rate of return	5.10%

# SCHOOL DISTRICT OF THE CITY OF BAY CITY

## SCHEDULE OF INVESTMENTS

June 30, 2008

(UNAUDITED)

INVESTMENT TYPE:	<u>DATE OF PURCHASE</u>	<u>DATE OF MATURITY</u>	<u>RATE OF INTEREST</u>	<u>(A) CARRYING AMOUNT</u>	<u>(B) MARKET VALUE</u>
General Fund:					
Deposits - National City Bank			2.57%	\$ 7,709,522	\$ 7,709,522
Deposits - Chemical Bank			1.81%	333,427	333,427
Total General Fund				<u>8,042,949</u>	<u>8,042,949</u>
Trust and Agency Funds:					
Deposits - National City Bank			2.57%	413,018	413,018
Deposits - LaSalle Bank			1.92%	561,018	561,018
Total Trust and Agency Funds				<u>974,036</u>	<u>974,036</u>
Debt Service Fund:					
Deposits - Citizens Bank			1.30%	736,464	736,464
Total Debt Service Fund				<u>736,464</u>	<u>736,464</u>
Building and Site Fund:					
Deposits - Citizens Bank - 2006 Bond			1.93%	6,885,162	6,885,162
Investments-2006 Bond:					
U.S. Treasury Note Obligations	09/14/2007	various	3.00% - 5.00%	35,192,966	35,670,093
Total Investments				<u>35,192,966</u>	<u>35,670,093</u>
Total Building and Site Fund				<u>42,078,128</u>	<u>42,555,255</u>
Total All Funds				<u>\$ 51,831,577</u>	<u>\$ 52,308,704</u>

(A) Carrying amount equals cost, or cost plus portion of discount earned as of June 30, 2007.

(B) Market Value is based on the modified accrual accounting method

(C) The Schedule of Investments does not include Petty Cash of \$3,625 included in the fund statement balance sheet

**SCHOOL DISTRICT OF THE CITY OF BAY CITY**

**ENROLLMENT STATISTICS (FTE)  
Last Ten Fiscal Years  
(UNAUDITED)**

<u>FISCAL YEAR</u>	<u>K-12</u>	<u>SPECIAL EDUCATION</u>	<u>(A) ADULT EDUCATION</u>	<u>TOTAL</u>	<u>(B) TEACHING STAFF</u>	<u>RATIO PUPILS TO TEACHING STAFF</u>
2007-08	8,935	373		9,308	500	18.62
2006-07	9,102	363		9,465	477	19.84
2005-06	9,170	412		9,582	491	19.52
2004-05	9,460	389		9,849	488	20.18
2003-04	9,450	370		9,820	523	18.78
2002-03	9,486	347		9,833	583	16.89
2001-02	9,561	322		9,883	538	18.39
2000-01	9,697	321		10,018	549	18.24
1999-00	9,942	331		10,273	534	19.23
1998-99	10,234	361	126	10,721	524	20.46

(A) The District did not operate an adult education program from 1982-83 to 1984-85 and discontinued the program again in 1999-00.

(B) Includes all BCEA teaching members for all but adult education programs.

NOTE: Student enrollment is the Fall FTE count for K-12, special education, alternative school (6-9), alternative high school, and adult education. The District also does a February head count.



SCHOOL DISTRICT OF THE CITY OF BAY CITY  
TEACHING AND ADMINISTRATIVE STAFF - LABOR RELATIONS  
June 30, 2008  
(UNAUDITED)

CLASS	NO.	AFFILIATION	CONTRACT EXPIRATION
PRINCIPALS/DIRECTORS	33	BAY CITY ASSOCIATION OF SCHOOL ADMINISTRATORS	August 31, 2009
TEACHERS	500	BAY CITY EDUCATION ASSOCIATION	June 30, 2008
OFFICE SUPPORT	138	BAY CITY EDUCATIONAL SUPPORT PERSONNEL REGION 12A	June 30, 2009
BUS MECHANICS	5	TEAMSTERS LOCAL 486	June 30, 2009
FOOD SERVICE	49	FOOD SERVICE ASSOCIATION	June 30, 2009
CUSTODIAL	77	MAINTENANCE PERSONNEL-REGION 12A	June 30, 2009
CENTRAL OFFICE	10	NON-AFFILIATED	See note below*
SUPERVISORS	4	SUPERVISORS UNION	June 30, 2009
BUS DRIVERS	72	UNITED STEEL WORKERS OF AMERICA-LOCAL 7380/AFL-CIO	August 29, 2009
HALL MONITORS	18	SEIU HALL MONITORS	June 30, 2009
	906		

The School District has not experienced a strike by any of its bargaining units in the past ten years.

\*Administrators each have individual contract expiration dates.

**SCHOOL DISTRICT OF THE CITY OF BAY CITY**

**RETIREMENT PLAN**

**June 30, 2008**

**(UNAUDITED)**

For the period from October 1 through September 30, the School District pays an amount equal to a percentage of its employees' wages to the Michigan Public School Employees Retirement System ("MPERS") which is administered by the State of Michigan. These contributions are required by law and are calculated by using the contribution rates and periods provided in the table below of the employees' wages. A history of the School District's contributions to MPERS for all funds are shown below. The School District does not have an unfunded accrued liability under MPERS.

**FISCAL YEAR ENDING JUNE 30**

**CONTRIBUTIONS TO MPERS**

2008	\$7,380,126
2007	\$7,367,525
2006	\$6,902,058
2005	\$6,764,026
2004	\$6,009,689
2003	\$6,030,157
2002	\$5,664,113
2001	\$5,661,891

**CONTRIBUTION PERIOD**

**CONTRIBUTION RATE**

October 1, 2008 - September 30, 2009	16.54%
October 1, 2007 - September 30, 2008	16.72%
October 1, 2006 - September 30, 2007	17.74%
October 1, 2005 - September 30, 2006	16.34%
October 1, 2004 - September 30, 2005	14.87%
October 1, 2003 - September 30, 2004	12.99%
October 1, 2002 - September 30, 2003	12.99%
October 1, 2001 - September 30, 2002	12.17%
October 1, 2000 - September 30, 2001	12.16%

# SCHOOL DISTRICT OF THE CITY OF BAY CITY

## STATE AID PAYMENTS

June 30, 2008

(UNAUDITED)

The School District's primary source of funding for operating costs is the State aid foundation allowance per pupil. In addition the State also provides categorical grant funding for programs such as At-Risk and Bilingual. The foundation allowance may be adjusted by an index based upon the change in revenues to the State school aid fund and the change in the total number of pupils statewide.

The following table shows a history of the School District's Blended Pupil Count, State Amount Received per Pupil, Foundation Allowance per Pupil (consisting of state aid payments and non-homestead property tax receipts) and total State Aid Payments including categoricals:

YEAR	BLENDED PUPIL COUNT	STATE AMOUNT RECEIVED PER PUPIL	FOUNDATION ALLOWANCE PER PUPIL	TOTAL STATE AID PAYMENTS AND CATEGORICALS
2007-08	9,308	\$ 6,071	\$ 7,204	\$ 60,055,130
2006-07	9,465	\$ 5,996	\$ 7,065 *	\$ 60,480,262
2005-06	9,582	\$ 5,816	\$ 6,875	\$ 59,447,910
2004-05	9,849	\$ 5,705	\$ 6,700	\$ 59,556,946
2003-04	9,849	\$ 5,750	\$ 6,616 **	\$ 58,715,030
2002-03	9,820	\$ 5,793	\$ 6,621 **	\$ 58,698,569
2001-02	9,893	\$ 5,657	\$ 6,500	\$ 59,971,014
2000-01	10,018	\$ 5,242	\$ 6,000	\$ 56,288,858
1999-00	10,273	\$ 4,949	\$ 5,696	\$ 54,308,430
1998-99	10,465	\$ 4,579	\$ 5,276	\$ 52,446,523

\* State minimum foundation allowance for 2006-07 was \$7,085, however the School District was unable to receive the full allowance due to a State constitutional limit on property tax millage whereby the School District could levy 17.6747 mills of the 18.0000 mills needed.

\*\* The State began the year providing a Foundation Allowance per pupil of \$6,700. Due to budget reductions, the Foundation Allowance per Pupil was reduced as shown in the table above.

**SCHOOL DISTRICT OF THE CITY OF BAY CITY**

**TAXABLE VALUE BY MUNICIPAL UNIT**

**June 30, 2008**

**(UNAUDITED)**

<u>NAME OF UNIT</u>	<u>HOMESTEAD</u>	<u>NON-HOMESTEAD</u>	<u>LESS TIF CAPTURED VALUE</u>	<u>TOTAL TAXABLE VALUATION LESS TIF CAPTURED</u>	<u>% OF TOTAL VALUE</u>
<b><i>Bay County</i></b>					
City of Auburn	\$ 36,778,180	\$ 16,638,527	\$ -	\$ 53,416,707	2.99%
City of Bay City	356,342,996	281,286,873	360,519	637,269,350	35.65%
City of Midland	54,400	5,091,100	-	5,145,500	0.30%
Beaver Township	63,326,554	5,802,284	-	69,128,838	3.87%
Frankenlust Township	96,514,901	31,569,358	-	128,084,259	7.17%
Hampton Township	66,336,191	43,241,716	-	109,577,907	6.13%
Kawkawlin Township	88,662,807	22,962,530	-	111,625,337	6.24%
Merritt Township	31,196,747	4,731,554	-	35,928,301	2.01%
Monitor Township	261,950,806	93,188,698	-	355,139,504	19.87%
Portsmouth Township	75,265,724	12,532,120	-	87,797,844	4.91%
Williams Township	115,820,198	65,372,238	-	181,192,436	10.14%
<b><i>Saginaw County</i></b>					
Buena Vista Township	4,016,939	419,655	-	4,436,594	0.25%
Kochville Township	2,654,965	704,849	-	3,359,814	0.19%
Tittabawassee Township	355,499	4,100	-	359,599	0.02%
Zilwaukee Township	2,238,910	2,881,864	-	5,120,774	0.29%
<b>Totals</b>	<b>\$ 1,201,515,817</b>	<b>\$ 586,427,466</b>	<b>\$ 360,519</b>	<b>\$ 1,787,582,764</b>	<b>100.00%</b>

Information provided by the School District and County Equalization Departments.